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ROYAL COMMISSION ON TRANSPORTATION

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ROYAL COMMISSION ON TRANSPORTATION

OTTAWA, ONTARIO,
THURSDAY,
NOVEMBER 24th, 1949.

THE HONOURABLE W.F.A.TURGEON, K.C. LL.D. - CHAIRMAN

HAROLD ADAMS INNIS - COMMISSIONER

HENRY FORBES ANGUS - COMMISSIONER

G. R. Hunter,
Secretary.

P.L.Belcourt,
Asst.Secretary.

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C.D.Shepard) Province of Manitoba

M.A.MacPherson, K.C.)
F.C.Cronkite, K.C.) Province of Saskatchewan

J.J.Frawley, K.C.) Province of Alberta

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F.D.Smith, K.C.)
)
) Province of Nova Scotia;
) Transportation Commission of
J.Paul Barry) the Maritime Board of Trade.
) Province of New Brunswick

F.R.Hume)
M.L.Rapoport) Canadian Automotive Trans-
) portation Association

R.Kerr) Board of Transport Commissioners

W.E.Darby, K.C.) Province of Prince Edward Island.

ROYAL COMMISSION ON TRANSPORTATION

Ottawa, Ontario
Thursxay, November 24, 1949

MORNING SESSION

DR. G. E. BRITNELL - RECALLED

EAAMINATION IN CHIEF BY MR. MacPHERSON RESUMED

PART I --- B. MINING

The very substantial development of the mining industry in Saskatchewan since 1935 is indicated in Table XXX, showing the gross annual value of mineral production in Canada by provinces at five year intervals, 1935 to 1945 and for the year 1948.

Saskatchewan's potential mineral wealth and the rate of future development are difficult to assess but much prospecting has been done and the northern shield undoubtedly has many promising areas which will develop as other mining areas have done in similar geological formations across northern Canada. Distances involved in bringing in equipment for prospecting, drilling and milling will always be a factor in Saskatchewan mineral development, and as new fields are proven new railway services and rail lines will become necessary.

Metallic minerals produced in Saskatchewan include gold, silver, copper, zinc, cadmium and selenium, found in the Pre-Cambrian Shield to the north of the agricultural area.

An important non-metallic mineral produced in Saskatchewan is sodium sulphate, which must be transported to distant markets and faces keen competition

from American suppliers. Even at present prices, freight charges represent upwards of 50 per cent of the laid-down cost of this product.

- - - (See Table XXX -- Gross Value of Mineral Production in Canada by Provinces, 1935, 1940, 1945, 1948.
As filed in Exhibit 128)

Among the possibilities in the non-metallic minerals is the development of the white clay deposits for use in the paper, ceramics, linoleum and rubber industries. Most of the clays used at present are imported into eastern Canada from Georgia and from England by water. The area in Saskatchewan where such clays have been experimented with is in the remote western part of the Province, and any development in this field will almost certainly be contingent on lower transportation costs on the long haul involved.

The coal produced in Saskatchewan (Table XXXI) is of the lignite variety and is found in southern Saskatchewan, the largest field being in the southeastern part of the Province.

- - - (See Table XXXI -- Production of Lignite Coal in Saskatchewan, 1925, 1930, 1935 and 1940 to 1948 inclusive.
As filed in Exhibit 128)

Freight charges weigh heavily on the Saskatchewan coal mining industry owing to the low unit value of coal. Relative heat values are shown in Table XXXII

- - - (See Table XXXII -- Average Heat Values of Alberta and British Columbia Coals compared with Saskatchewan Lignite.
As filed in Exhibit 128)

The Brief of the Saskatchewan Coal Mine Operators presented at the Regina Hearings made the following points:

"It follows from the foregoing figures that to deliver to the consumers coal with an equivalent amount of heat units, Saskatchewan producers must mine, prepare, handle and pay the freight on two tons of coal to equal the highest grade Bituminous and one and one-quarter tons to equal the lower grade coals produced in the Alberta coal fields.

"The value of the commodity as a factor affecting the level of freight rates is closely allied to the value of the service, since generally speaking the higher the market value of an article the greater the value of the transportation service." 30

The difficult position in which the Saskatchewan Coal Industry finds itself and the disrupted competitive position of the industry following the recent flat increase in freight rates on all coal are described at length in the above Brief. That Submission is commended to the attention of the Commission.

C. PETROLEUM

The Lloydminster oil field, which is centered on the Alberta-Saskatchewan boundary produces a heavy

30 See Brief of Saskatchewan Coal Mine Operators to the Royal Commission on Transportation (Estevan, June, 1949, mimeo.) p. 3.

crude oil quite different from that of the light oils of Turner Valley, Leduc, and Redwater in Alberta. Lloydminster oils are best suited for fuel oil and asphalt.

Up to the end of 1948 there were some 255 commercial producing wells working on an area of about 665,600 acres with another 20 wells waiting to be placed in production. If all 275 wells produced at capacity a minimum of 8,500 barrels per day would be produced. Output increased sharply in 1948, but restricted market outlets made it necessary to cut back production in the fall of that year by shutting down some wells and slowing up pumping operations on others. This curtailment of oil production has meant a serious set-back to the development of the field which has, in the opinion of qualified authorities, much greater potentials.

During certain summer months road surfacing serves as an outlet for part of the product. With the lack of large scale industry in western Canada, industrial use of Lloydminster petroleum is seriously limited in the prairie region. By far the most important uses to which such oil could be put would be as fuel for industrial purposes and as fuel oil on boats.

At present producers are unable to reach the British Columbia market in competition with imported crude oil from Venezuela and California due to the high cost of transporting the product over the long haul to the coast. The British Columbia market is a substantial one and it would be a valuable addition to the Canadian economy if this could be served from Canadian sources of supply.

The Lloydminster Petroleum Association presented its Brief ³¹ at Calgary and ^{the} Government of Saskatchewan commends the views expressed in this Brief to the consideration of the Commission.

D. FORESTRY

The value of Saskatchewan forest production in 1946 was estimated at \$5.8 millions compared with a total value for Canada of \$413.3 millions. ³² The forest area of Saskatchewan is limited almost entirely to the northern portion of the Province. The plains are virtually devoid of forest cover with the result that all lumber and practically all other wood and wood products must be brought in from northern Saskatchewan, British Columbia or elsewhere. Even fuel for firewood is almost completely lacking on the prairie plains and in view of the severe winters cordwood and other firewood move in vast quantities, as Table XXXIII shows, thereby providing substantial rail traffic. Other forest products used or produced in Saskatchewan and of significance to the railways in terms of freight tonnage include lumber, box, crate and cooperage material, logs, posts, poles and piling. Table XXXIII, giving loadings and unloadings of forest products at stations in Saskatchewan in 1948 also indicates the heavy deficiency of lumber for building in Saskatchewan

³¹ See Brief of the Lloydminster Petroleum Association to the Royal Commission on Transportation presented at Calgary (Lloydminster, Saskatchewan, June, 1949, mimeo.) (see footnote 32 on next page)

which can be overcome only by large imports -- chiefly from British Columbia.

- - - (See Table XXXIII -- Forest Products Loaded and Unloaded at Stations in Saskatchewan, 1948.)

Pulpwood is shipped out of the Province eastward to Manitoba, Ontario and American mills in substantial quantity. In this sector of Canada's export economy Saskatchewan's role is rendered difficult as a result of geography and transportation costs determine in a large measure the extent of the area which can be economically worked. At best the competitive position of the industry in this province is unfavourably compared to that of sources closer to the major markets.

E. FISHING

Commercial fishing is one of a number of relatively small industries carried on in the northern portion of the Province which contribute to a degree to diversification of the Saskatchewan economy and which provide a livelihood for a section of the population of the far north. The value of Saskatchewan fish as marketed in 1947 was \$1.2 millions compared with a Dominion total of \$124.1 millions or just under one per cent. of the Canadian total. 33 Most of the commercial fishing

32 See Estimate of Forest Production -- Operations in the Woods in Canada, 1946 (Ottawa, Dominion Bureau of Statistics, 1948).

33 See Advance Report on the Fisheries of Canada, 1947 (Ottawa, Dominion Bureau of Statistics, 1949).

in Saskatchewan is carried on in the semi-barren northland under conditions which make it difficult for those engaged in this occupation to turn to any other methods of earning a living. The fresh water fishing industry is a low income industry in Saskatchewan, extremely sensitive to market and cost fluctuations. The Provincial Government has actively fostered development of these fisheries through the promotion of markets and through improving the quality of the product in an attempt to bring a measure of stability to this industry.

Great distances separate the producing lakes from the main centres of consumption, most of the catch being exported to the United States, heavy shipments being made to Chicago, Detroit, and New York.

There is at the present time an application before the Board of Transport Commissioners for an increase in express rates on fish, the impact of which if granted may force the abandonment of some of the more remote lakes. Fish is an extremely perishable product, and this fact coupled with the long haul to markets and the necessity of shipping express in refrigerated cars places the industry in a particularly vulnerable position.

MR. MacPHERSON: My lord, before we proceed, there was a question your Lordship asked yesterday as to cattle movements in Alberta, and Dr. Britnell is in a position to give that information to your Lordship now.

THE WITNESS: With respect to Alberta cattle marketings, Mr. Chairman, the percentage of the total Dominion contribution made by Alberta is, for the last five years, almost exactly 26 per cent., which is very close to the Saskatchewan figure and about one to one and a half per cent. more.

THE CHAIRMAN: That is the marketings?

A. That is the marketings.

Q. Both in and out of Canada?

A. Both in and out of Canada, yes.

Q. And for Saskatchewan?

A. Between 24 and 25 per cent., and Alberta average for the last five years is 26 per cent. in fact, or rather for 1948 it is 25.9 per cent., whereas the Saskatchewan figure is only very slightly less at 22.6 per cent.

Q. I didn't think the figures would run so close together.

A. No, I think we have rather overtaken Alberta in that respect, at least in the last year or two.

MR. MacPHERSON: Now, Dr. Britnell, we had reached the end of Part I, and we are ready to start on Part II which on the printed brief is at page 61.

THE WITNESS: PART II

THE NATIONAL POLICY AND THE SASKATCHEWAN ECONOMY

The burden of freight rates bears more heavily upon the Saskatchewan economy than upon any other part of Canada. Geographical location contributes to this fact. The regional variability of road and water competition also plays a significant part. National policies relating to railways and fiscal measures have, however, greatly intensified the burdens arising from these circumstances. The history and implications of these policies will be briefly outlined.

1. THE NATIONAL POLICY

By historical accident the expression "National Policy" in Canada is used to describe the system of tariff protection instituted by Sir John A. Macdonald in 1879. Protective tariffs, however, were but one of the more important of a group of instruments designed to achieve national purposes. These purposes began as visionary prospects a century ago and were given formal political and economic expression in the period from 1860 to 1885.

The central national purpose was, of course, to create a national unit out of the widely scattered territories of British North America, in spite of the immense handicaps imposed by their geographic isolation and by their economic and political diversity. The political framework for the project was laid down by the British North America Act which federated four provinces and provided for the entry of other provinces and territories. The economic foundations

required Atlantic and Pacific Railways, the control and development of western lands, and a policy of protective tariffs. No single one of these elements but all taken together merit the title, National Policy.

On its economic side the National Policy envisaged first, the maximum development of the total national territory, and, second, the integration of the economic life of the various regions within the national framework. The defensive aspects of this entegration are important. The Americans, at the crest of their belief in a manifest continental destiny, displayed a boundless ability and an increasing willingness to develop the territories to the north of their boundaries. The declared price of this interest, however, was the economic and political absorption at least of the territories west of the Great Lakes. The Canadian decision taken and maintained in consistency with the National Policy was that the western territories should be developed by Canadian effort only. This decision may not have retarded the development of the west. It did, however, greatly increase the cost of the development because of the artificial demand for railway facilities and for central Canadian industrial expansion.

2. ECONOMIC CIRCUMSTANCES WHICH GAVE RISE TO THE

NATIONAL POLICY

Both the developmental and the defensive aspects of the National Policy are rooted deep in Canadian economic history. By the early nineteenth century the westward expansion of agricultural settlement in North America provided new economic vitality and profitable prospects for the Atlantic communities of the United States and

and for the Canadian commercial centres on the St. Lawrence. The centuries-old rivalry between the merchants of the Hudson and St. Lawrence river systems moved into the phase of rivalry in canal and later of railway construction. In both of these developments the Canadians lagged seriously behind the Americans.

Neither the Canadian canal system, completed by 1850, nor the Grand Trunk Railway, completed by 1860, was able to justify itself by effective contact with the agricultural frontier of the American middle west. The Canadian agricultural frontier was stopped by the apparently insuperable obstacle imposed by the Canadian Shield.

The eighteen-fifties and the eighteen-sixties, however, saw a new interest in the British territories beyond the Shield. Gold discoveries on the Fraser River and in the Cariboo attracted attention to the Pacific colonies. American agricultural settlement moved north as well as west beyond Lake Michigan. Palliser and Hind noted serious disadvantages in the geographic circumstances of the plains of Rupert's Land, but both reported substantial fertile areas between the Shield and the Rocky Mountains. The Red River Settlement, if it showed little prospect of expansion, was nevertheless permanently established.

If the West were to be developed it would require transportation facilities, and, if western development were to be integrated with the St. Lawrence economy, facilities must be provided which would link the two regions effectively. The Red River Settlement by the eighteen-fifties was already trading with the commercial outposts of the United States, transporting its merchandise by river boat and annual convoys of Red River carts

brooken and replaced by one

to and from St. Paul. This contact would have to be broken and replaced by one with Canada.

A railway was not specifically indicated. Visionaries as early as the eighteen-fifties had proposed an all British Pacific railway to serve as a bond of Empire and a short-cut to the Far East. The proposal was not taken seriously and Palliser reported that the choice of the 49th parallel as Canada's boundary had ruled out any possibility for such a project. The first serious attempt to link the Red River Settlement with the East envisaged reliance on the waterway not only of the upper Great Lakes, but also of the Lake of the Woods system which lay between Lake Superior and Fort Garry.

With the entry of British Columbia into the Canadian federation the type and extent of the communication system which was to be created were determined. The Pacific delegates to Ottawa asked for a wagon road. They gladly accepted the offer of the Dominion Government to construct a railway linking central Canada with the Pacific coast. The location of the railway was still undecided.

3. THE NATIONAL POLICY AND THE LOCATION OF CANADIAN RAILWAYS

It is often said that Canada's east-west rail and communication system and the resultant east-west commercial system, are unnatural and in defiance of geography. It is frequently stated, and much more frequently implied, that, were it not for the National Policy, the lines of trade, and the railways, would

run north and south between contiguous Canadian and American regions.

Such extreme statements are, of course, incorrect. Geographic areas, like individuals, find trade between each other advantageous in proportion to their dissimilarities rather than their similarities. Canadian and American regions which are contiguous on^a north-south axis and which are separated by an imaginary line have little to distinguish them from each other and little to prompt them to trade. Maritime Canadian regions lie to the north of the American maritime regions; the Canadian Industrial region, to the north of the American; and the Canadian central plain is but the northern extension of the continental central plain.

Page 9959 follows

Dissimilarities which induce trade in North America are, therefore, much more readily observed between areas east and west than between areas north and south. To illustrate with particular reference to Saskatchewan, even without a system of tariff protection and without a great deal of artificially located railway mileage, the trade of the Province would still be primarily with eastern Canada and the United States, with the western coastal regions of Canada and the United States, and with Europe and Asia.

Nevertheless, the deliberate and persistent purpose embodied in the National Policy was the distortion of the normal channels of Canadian - American trade. This distortion was held to be necessary in the national interest. As such, it is not the purpose of this analysis to question it. It is necessary, however, to indicate something of its resultant burden upon the Canadian economy and upon particular segments of that economy. The burden can be traced in terms of artificially located railway mileage and in the prevention of Canadian access to the most favourable of industrial markets.

The commitment made by the Canadian Government in 1870 to build a Pacific railway left the route for the railway unspecified. The most important question concerning the route was how to link central Canada with Fort Garry. The Grand Trunk railway ran from Montreal to Sarnia and westward extension might bring it to Fort Garry either by construction through American territory to the south of the Lakes, or by construction only where necessary to extend facilities which might be secured by the negotiation of running

rights over American railways which were already expanding rapidly in the American middle west. Such an extension was in fact proposed by Grand Trunk officials in 1860 as the only solution to the financial problems of the Grand Trunk system. The alternative to establishing rail communication with Fort Garry was the construction of an all-Canadian route through what was understandably regarded as the nearly impassable area of the Shield north of Lakes Huron and Superior.

The decision was taken by 1871 to build an all-Canadian railway despite the incalculably added costs of such a project. The decision was not changed despite various pressures to have it altered. In 1880 the Grand Trunk officials in London were approached concerning the construction of the Pacific railway. They refused to consider it when told that it must be built north of the Lakes. A number of the members of the C.P.R. syndicate entered the project in the belief that the north-shore link was not an immediate possibility and that in the meantime their own mid-western American system might make itself indispensable. J. J. Hill withdrew from the group in 1882 when he realized that the north-shore section was to be constructed forthwith.

The construction of the Pacific railway to the north of the Great Lakes was dictated by the National Policy and can be justified as in the national interest. The costliness of the construction through those regions accounts to a considerable extent for the fixed charges of Canadian railways and thus enters into railway rate calculations for the Canadian economy.

The hundreds of miles of Shield bridged by the Pacific railway remain unremunerative in terms of traffic and thus not only the fixed charges but also the operating costs of the region fall upon traffic which originates or is destined elsewhere.

The construction of additional Canadian transcontinental lines after 1900 need not be regarded as an integral part of the National Policy. Nevertheless, the policy which after 1903 added two additional lines through the Canadian Shield as well as to the Pacific coast was a policy of the national government. If traffic over the Shield and originating in the Shield was inadequate for one railway, it could scarcely be adequate for three, even with the traffic from new areas which the added railways opened up.

While the alternative routes for the Pacific railway in the east were either Canadian or American, alternative routes through the mountains of British Columbia were all Canadian. It was a question of farther north or south. The northern pass, the Yellowhead, was by a considerable margin the easiest pass which could be found and it would permit a railway to run northwesterly from Selkirk by way of the fertile park belt. It did not provide the shortest route to the settlements at the mouth of the Fraser. Passes farther south would permit more direct rail routes, but were immensely more difficult than the Yellowhead. Furthermore, any railway running directly to the coast through a southern pass would necessarily pass for hundreds of miles through the semi-arid plains instead of through the park belt.

The route of the Pacific railway as originally planned and surveyed was the northern route by way of the Yellowhead pass. The route as finally adopted for construction was the southern route, across the semi-arid plains (through which the C.P.R. refused to select any of its land grant), and through the extremely difficult Kicking Horse pass. The comparative directness of this route was one factor in its favour. More important was its proximity to the American boundary which offered defensive possibilities against the threat of economic invasion by American railways. As early as the 1860's the construction of the Northern Pacific from Lake Superior to Puget Sound was regarded as rendering inevitable the economic and political union of the Canadian west with the United States. A Canadian railway constructed in a northern arc could scarcely prevent this from taking place.

In the late 'eighties and early 'nineties the discovery and development of mineral deposits in the Kootenay by American interests, and the construction of railway lines linking this area with American rail lines raised the question of American infiltration in its sharpest form. Under the Crow's Nest Pass Agreement the Canadian Pacific Railway was awarded a subsidy to enable it to build into the Kootenay region and link that region with the trans-continental Canadian line rather than allow it to become an American hinterland by default.

Canadian railway construction has been an integral part of the National Policy. The main lines of the Canadian railway system were located in the

national interest and with little regard to the questions of economical construction or operation. The burdens of transportation facilities have thereby been immensely enhanced in the interest of economic and political unity. It is of particular importance that these enhanced burdens should not bear disproportionately upon the various segments of the Canadian economy.

The burdens of the Canadian transportation structure, which have been enhanced by national policies, are not apportioned equally among Canadian geographic regions. Railway rates are higher in western Canada than they are in the Central Provinces. This discrepancy exists in the general rate structure, in competitive rates and in the distinction between town tariffs as granted in the East and distributing tariffs in the West. The intensiveness of water and truck competition in the Central Provinces has been advanced as an adequate reason for the lower rail rates in the central area. The competition of ocean carriers has been held to justify low rates to the Pacific coast. In the interest of maintaining railway earnings, the rates in the Prairie Provinces are kept unduly high and are not restrained by any adequate measure of water or truck competition.

The Board of Railway Commissioners in the early 1920's dealt with requests for equalization and refused to remove completely the discrepancies between eastern and western rates on the ground that costs as well as competition accounted for the differences. The determination of regional differences in costs is an extremely complex matter and should be the subject of

special investigation by the Commission. The Province submits that since 1927, the date of the latest thorough investigation of relative rate levels East and West, the conditions under which traffic is handled have so changed that many cost disabilities which may have existed in the West have ceased to exist or have been reduced to minor proportions.

4. THE TARIFF AND THE NATIONAL POLICY

The second important and costly feature of the National Policy is its dependence on protective tariffs. It is clear that Canadian rail lines between Central Canada, on the one hand, and the Maritimes and the West, on the other, provided only the opportunity for the movement of goods over these routes. The railways did not in themselves make it certain that manufacturing facilities should develop in Central Canada to supply the outlying regions. Without protective measures of some sort, Canadian manufacturers would secure and hold the markets of the outlying regions only if they could deliver goods in competition with the highly efficient mass-production industries of eastern and middle western United States.

THE CHAIRMAN: You say "with Eastern Canada and the United States"?

A. Yes, I think that should be "and the Western United States".

This the industrialists of Central Canada alleged they could not do. Whether they could have done so or not has never been put to the test.

A policy of tariff protection was instituted in Canada before there were any significant outlying markets to supply, and, indeed, before there was any great body of industry to supply them. This policy has been maintained without serious modification to the present day.

The protective element of the National Policy was enacted in 1879. The tariff policy of the Province of Canada before Confederation, however, clearly foreshadowed the protective principle. In the Cayley-Galt tariffs of 1858 and 1859 the import rates of duty were considerably increased. In the 1859 budget the customs rate on the general list of items was placed at 20 per cent. ad valorem. While an increase in rates was clearly compatible with the letter of the reciprocity agreement, it was regarded in American circles as a breach of the spirit of that agreement. This view had lasting adverse significance for Canadian - American tariff negotiations.

Galt justified the tariff increases on the basis of the costs and benefits of transportation improvements undertaken by the government. His reasoning provides a clear and early statement of the principle of the interdependence of tariffs and transportation facilities in Canada. The construction of canals and railways in new countries such as Canada, he argued, was extremely costly to government but was, at the same time, of great benefit to producers and consumers. Such improvements raised the net returns of export producers and lowered the cost of imports to consumers. The imposition of tariffs, therefore, was but a reasonable method by means of which the

government might recoup a part of its developmental outlay. At a later date, Galt described the policy represented by the 1859 tariff changes as one of "incidental protection", a policy of tariffs primarily for revenue but "affording at the same time an incidental amount of protection" to domestic manufacturers.

The developmental burdens which had been assumed by the provincial governments before Confederation were small in comparison with those which were to be accumulated over the decades by the Federal Government. The Federal Government constructed substantial sections of the Canadian railway network, such as the Intercolonial and the National Transcontinental, at its own expense. It subsidized the remainder of the railway mileage in various ways, either by land grants, cash subsidies, tax exemptions or the guarantee of railway securities. Governmental assistance to Canadian railway construction is so all-pervasive that no substantial part of the Canadian railway structure can properly be regarded as a free-enterprise response to the prospects offered by a freely operating price economy.

If the provincial tariff of 1859 was designed primarily for revenue purposes, with incidental protection, the Dominion tariffs enacted in 1879 and subsequent years were designed primarily for protection, with incidental revenue. This change of emphasis was essential to the national purpose. Construction of a Pacific railway would make possible the economic development of the West. Protective tariffs would foster interprovincial trade in place of international

trade. Canadian manufacturers would be assured as fully as possible of exclusive rights to the total Canadian market. Together, railways and tariffs would integrate the expanding area of economic activity. Tariffs would ease the burden of transportation improvements by providing railway traffic and a more diversified economy as a source of tax revenues.

Canadian political leaders widely separated in time and in party affiliations have expressed the philosophy of a closely integrated economy to be created by national policies. McGiverin stated the objective clearly during the Confederation debates in 1865. He said in part: "What then may we not expect our great North-West to become, If we had it opened up, Canada would be the carriers of its produce, as the Middle States are the carriers of the Western States, and the manufacturers of its goods as the Eastern States are now the manufacturers of the goods consumed by the West." (Canadian Confederation Debates, p. 470). This statement does not specify railways or tariffs, or indeed any particular instrument for the development of the West, but it indicates with the greatest clarity the colonial role, assigned to the western territories at the time of Confederation.

Macdonald's interpretation of a National Policy of protective tariffs was perhaps most fully outlined in the Session of 1878 while Macdonald was still in the Opposition. On March 7 of that year, as the House moved to go into committee on the budget, Macdonald introduced the resolution that,

" . . . this House is of the opinion that the welfare of Canada requires the adoption of a National Policy, which, by a judicious readjustment of the Tariff, will benefit and foster the agricultural, the mining, the manufacturing and other interests of the Dominion; . . ." (Debates, 1878, p. 854)

(PAGE 9969 FOLLOWS)

His arguments in support of the resolution concerned the development of resources, the maintenance of employment opportunities, the prevention of Canada continuing as a "slaughter market" for American merchandise and, finally, the stimulation of interprovincial trade. He said:

"The resolution speaks not only of a reasonable adjustment of the tariff but of the encouragement and development of interprovincial trade. That is one of the great objects we should seek to attain. Formerly, we were a number of Provinces which had very little trade with each other, and very little connection ---I believe that, by a fair readjustment of the tariff, we can increase the various industries which we can interchange one with another, and make this union a union in interest, a union in trade, and a union in feeling. We shall then grow up rapidly a good, steady and mature trade between the Provinces, rendering us independent of foreign trade, and not, as New Brunswick and Nova Scotia formerly did, look to the United States or to England for trade, but look to Ontario and Quebec - sending their products west, and receiving the products of Quebec and Ontario in exchange. Thus the great policy, the National Policy, which we on this side are advocating, would be attained."

That is from the House of Commons Debates, 1878, p.861.

. Macdonald made the introduction of protective tariffs a major issue in the 1878 election campaign. Asked at Hamilton what protection he proposed to give he said, "I cannot tell what protection you require. But let each manufacturer tell us what he wants, and we will try to give him what he needs.". (As cited in Porritt, Sixty Years of Protection in Canada, p. 310 (or the other title is "Industry Leans on the Politician") The Conservative Mail of Toronto urged the

electors in 1878 to get rid of the "starvationists", the Liberals, "and bring back a rich prosperity to Toronto and the Dominion at large." (Mail, Toronto, September 19, 1878. as cited, Ibid. p.311).

In 1879, Sir Leonard Tilley as Minister of Finance introduced the tariff rates of the National Policy in the first budget of the newly elected parliament. In summing up the immense detail of the tariff changes he said (Debates 1879, p.429):

...it does appear to me, Sir, that....the time has arrived when we are to decide whether we will be simply hewers of wood and drawers of water; whether we will be simply agriculturists raising wheat, and lumbermen producing more lumber than we can use, or Great Britain and the United States will take from us at remunerative prices; whether we will confine our attention to the fisheries and certain other small industries....or whether we will inaugurate a policy that will, by its provisions, say to the industries of the country, we will give you sufficient protection; we will give you a market for what you can produce; we will say that while our neighbours build up a Chinese wall, we will impose a reasonable duty on their products coming into this country; at all events, we will maintain for our agricultural and other productions largely, the market of our own Dominion."

That is the end of the quotation from the budget speech.

For the first two decades under the National Policy of protection the great bulk of Canadian activity was confined to the Central and Maritime Provinces. In framing the protective schedules of 1879 the goal had been, in Tilley's words, to find "the best means of reducing the volume of our imports

from all parts of the world". Subsequent modifications of the original National Policy rates were made in furtherance of this aim. By the turn of the century the scale of economic activity and the expansion of market prospects in the Prairie Provinces were of such magnitude that the reduction of imports into that area took on special significance. Toward this end the National Policy tariff structure required only to be maintained. This the Liberals under Sir Wilfrid Laurier found it expedient to do despite campaign pledges made during the eighteen-nineties.

Sir Wilfrid himself has left us the clearest statement on record of the place occupied by the Prairie Provinces within the framework of National Policy protection. Speaking to the Canadian Manufacturers Association in Quebec City in 1905 he said:

"They (the settlers in western Canada) will require clothes, they will require furniture, they will require implements, they will require shoes - and I hope you can furnish them to them in Quebec - they will require everything that man has to be supplied with. It is your ambition, it is my ambition also, that this scientific tariff of ours will make it possible that every shoe that has to be worn in those prairies shall be a Canadian shoe; that every yard of cloth that can be marketed there shall be a yard of cloth produced in Canada; and so on and so on . . . "

(Laurier's speech as quoted in Canadian Annual Review of Public Affairs, 1905, pp. 149-50).

MR. MacPHERSON: That pretty well made it unanimous?
A. Yes.

MR. O'DONNELL: I was wondering when Premier Douglas was coming in.

It is not possible to measure the over-all effect of tariff policy upon the growth and integration of the Canadian economy. Nor is that relevant to the present purposes. The Commission is concerned to discover if there are regional disabilities or inequities associated with transportation services. The tariff is inseparably tied up with transportation policy in the development of the Dominion and the significance of the tariff varies as between regions in Canada. No attempt will be made to measure this variation but its existence and nature can be clearly established.

In explaining the regional incidence of National Policy tariffs it is important to recall, first, that they were introduced before there was any considerable economic development in the Prairie Province area, and second, that they remained relatively unchanged until as late as 1930. The effect of the imposition of a new duty or an increase in an old one is different from the effect of the continuance of an old one. An economy which develops within a tariff framework already established will differ from one which would develop under circumstances which are similar except for the absence of the tariff. But the development will, from its beginning, take cognizance of the effects of the tariff, as nearly as such effects can be foreseen. Types and ranges of activity ruled out by the tariff will never start, except in error. If the same tariff were to be imposed on an economy already well developed the resultant readjustment and alteration of equities might well be drastic in degree.

The National Policy tariff schedules were first enacted in 1879. Over the period of the next nine years the rates were considerably increased and were applied to a wider range of merchandise. From the end of that formative period until 1930 the National Policy tariff remained stable with only minor modifications associated chiefly with the introduction of British preference and with reductions in the rates on farm machinery and automobiles.

The prairie economy, therefore, grew up within a pre-established tariff framework. This framework shaped, limited and curtailed development within the Prairie Provinces. With the possible exception of the Red River Valley, however, where settlement was well established before 1880, it cannot be said that the introduction of protective tariffs destroyed any equities already created by economic activity in the prairie region. Nevertheless a differential regional incidence of the Canadian tariff can readily be demonstrated.

Duties on imports into Canada have curtailed a wide range of industrial importations, particularly from the United States, and have replaced them with higher priced Canadian products. To the extent that this has happened - that is, to the extent that the National Policy of protection has been successful - Canadian industry has expanded to a greater extent than it otherwise would have. At the same time, the costs of production and of living have been enhanced to a degree represented by a variable proportion of the amount of tariff protection. Since in the geographic nature of things the greatest industrial opportunities are concentrated in the Central Provinces, the expansion in industrial activity attributable to tariff protection has taken place in the Central Provinces. Under conditions which have prevailed in the past the Prairie Provinces have had few industrial possibilities but great capacity for export production. The tariff, then, has provided no scope for western industrial expansion and has had the unmitigated effect of curtailing the expansion of export activity because of the pronounced increase in costs of production and of living to which it gives rise.

THE CHAIRMAN: What is this - the tariff?

A. Oh yes. The differential regional effects of protective tariffs in Canada are not to be sought in long-run inequalities in the returns to labour or capital, or in profit margins. To the extent that Canadian industrialists

require protection against foreign competition, that protection is eaten up in inefficiency and high costs rather than in high profits. If the full degree of protection which exists is not needed, domestic producers will nevertheless secure abnormal profits only if they exploit their protected position with the aid of effective monopoly.

The differential regional effects of protective tariffs are to be found in property values. By fostering industry, Canadian tariffs have increased the value of properties best suited for industrial plants and for the housing of industrial labourers. By raising production and living costs in the export areas, Canadian tariffs have restricted the expansion of these areas and have to that extent limited the relative increase of their property values. This is of particular significance in the Prairie Provinces where production for export is of such overwhelming importance and where property equities are so widely diffused among the resident population.

It is clear, therefore, that the tariff has operated to provide a financial subsidy to the population of the areas of Canada in which it has stimulated industrial expansion, notably in the Central Provinces. This fact is in no way controverted by the likelihood that the subsidy has been unequally apportioned among the various segments of the population within those provinces. Wage earners as such have suffered rather than gained because of the tariff. But property owners have achieved permanent and substantial gains. Taxing bodies at both the local and provincial levels in the industrial region have secured an enlargement of their property and business assessment bases as a direct result of the tariff.

It is not argued that the industrialization of Central Canada is solely due to the protective tariff. The Central Provinces have great natural advantages over other

parts of the Dominion for industrial activities. For certain types of industrial development these provinces possess exclusive possibilities. Nevertheless, regional specialization rests on acquired as well as natural advantages. Of two regions, the one with a prior start in industrial development may, because of that fact alone, have a permanent superiority over the other. For decades after the National Policy of protection began to foster industrial development in the Central Provinces the Prairie Provinces were without industry to foster. The relatively complete lack of industrialization in the West today is due in part to the impossibility of achieving competitive competence as against eastern industries long since grounded in tariff favour.

The preceding paragraphs indicate the nature of the regional effects of a tariff which has long been maintained and to which the regional economies have become more or less completely adapted. As already pointed out, however, the effects of the imposition of a new tariff or of an increase in old tariff rates are of a different sort. This is of particular importance for the present analysis because of the fact that Canadian tariff protection was drastically increased after 1929 in an attempt to cure unemployment. The added protection was secured by sharp increases in tariff rates, by increasing the number of specific rather than ad valorem rates in the schedules, and by a multiplication of protective administrative devices. The dubious efficacy of this method of attack upon the unemployment problem is no part of our present concern. The regional impact of the policy must, however, be recorded.

In a study prepared for the Rowell-Sirois Commission in 1938 Professor Mackintosh (of Queens University) analysed in some detail the Canadian tariff changes after 1928 and their regional effects (The Economic Background of Dominion-Provin-

cial Relations, Appendix 3 of the Rowell-Sirois Report, pp. 89-96). A summary of his findings will serve to present the matter forcefully and concisely.

Professor Mackintosh found that the tariff changes between 1928 and 1933 - the most substantial which had been made since the period 1879-87 -were singularly effective in diverting purchases from imports to home production and that the products in which the diversion from foreign to domestic production was the greatest were predominantly products of the Central Provinces. This was true with the exception of iron and steel, coal and petroleum products where other provinces, not including Saskatchewan, shared in the increased protection. Professor Mackintosh was unable to determine the degree to which Canadian prices of the protected products were increased as a result of the increased protection. The evidence suggested that in some cases domestic producers were able to maintain their prices at levels above duty-free prices by the full amount of the tariff. In other cases the new rates were prohibitive; that is, domestic producers were unable to sell their products at prices equal to the duty-free figure plus the full amount of the duty. The conclusion on this point was, however, that there were very few cases in which tariff increases had not increased the margin between Canadian prices and duty free prices to some degree.

Professor Mackintosh was careful to point out that tariff changes were not responsible for the entire decline in the purchasing power of the products of Canadian export regions in the 1930's. The tariff increases aggravated but did not occasion this fall in purchasing power, and this by having "tempered the decreases in protected prices while the export prices were fully exposed".

On this point Professor Mackintosh concluded:

"The fact of this aggravation (of the decline in the real income of Canadian export regions) is clear but its extent cannot be accurately computed. The conclusion is inescapable that effective increases in the tariff to an unmeasured but substantial extent, increased the economic pressure on the predominantly export regions of the country and indirectly contributed to the financial burdens of the provinces concerned, burdens which the Dominion has been forced, since 1930, to assume in part."

In addition to the increased burden resulting from tariff changes, the difficulties of western wheat producers in marketing the crops grown in the years from 1929 to 1932 inclusive. were undoubtedly aggravated by the "sound money" policy so vigorously maintained by the Dominion Government during that period. National policies may be designed either to mitigate the thrust of world-wide forces, such as the world-wide deflationary forces of the early nineteen-thirties, or to leave certain vulnerable groups exposed to their full rigours. The disastrous impact of the "sound money" policy on the prairie wheat economy provided a further illustration of the fact that national policy invariably tends to reflect the centralization of power in eastern Canada.

Between 1932 and 1938 the original sharp increases in tariffs which were made in the early 1930's were somewhat modified by trade treaties, notably the Ottawa agreements and those with the United States in 1935 and 1938. These established preferential treatment for specific products in specific markets and thus in part offset the additional burdens thrust upon the export

regions by increased industrial protection. This was true particularly for British Columbia as a result of the British and American lumber preferences, and for New Brunswick with lumber and apple preferences. The bacon preference provided potential advantages to all agricultural regions. As for the British wheat preference, however, designed presumably to counteract in the Prairie Provinces the ill effects of enhanced industrial protection, Professor Mackintosh remarked: "Though at times the preference on wheat may be helpful, it is difficult to discover any substantial advantage with exportable surpluses as large as Canada and Australia have had since 1932." Treaty preferences secured after 1932 therefore provided no significant adjustment of the burden thrust on the Prairie Provinces by the earlier tariff increases. In Professor Mackintosh's words: "On the basis of changes in the tariff by legislation and treaty (after 1928) it is clear that the net disadvantages of the prairie region have been greater than those of the other export regions." And correspondingly, of course, much greater than the Central Provinces.

Professor Mackintosh concluded his analysis of the effects of the tariff changes of the 1930's with the following paragraph:

"Canada is a country of specialized exports and has a high degree of regional specialization. It is characteristic of those exports (except gold, nickel, and probably, under more favourable circumstances, newsprint) that, in

periods of price fluctuation, their prices are likely to experience extreme fluctuations. That is the basic fact of the Canadian economy. To the degree that the protective tariff is high, i.e. contains many prohibitive duties, thus isolating protected prices from world prices; in so far as it contains many specific rates which remain rigid in the face of falling prices; to the extent that effective tariff rates are sharply increased by administrative or legislative action in order to spare producers for the home market the shock of falling prices, or to increase their share of the home market, or both -- it will, in the face of major price declines, exaggerate the distortions of the price structure and thrust disproportionate contractions of real income on specialized export regions..... These conclusions remain unaffected whether the protective tariff is considered for the economy as a whole as a desirable or an undesirable policy." (p.96)

When representatives of the Prairie Provinces point out the unequal regional impact of the tariff structure it is commonly urged in reply that tariffs and railways go together in the National Policy and that the effects of the one cannot be analyzed apart from the other. Western development of any extent would obviously be impossible without railway facilities and so it is argued, the tariff structure assures the east-west

movement of goods which, in turn, serves as the paying traffic for the Canadian Railway system.

It can readily be granted that without the tariff the Canadian system of railways would be wholly uneconomical. It would be incorrect to assume however, that the Prairie Provinces, would be without adequate railway facilities had the Canadian trans-continentials and their feeder systems not been built. As pointed out elsewhere in this analysis, one of the chief concerns of the early railway policy of the Dominion Government was the exclusion of the American railways from Canadian territory to the west of the Great Lakes. The managements of the Northern Pacific and Great Northern railways stubbornly persisted, from the eighteen-sixties till the end of the century, in their attempts to build into the Canadian territory both on the plains and in the mountains. Their aim was to draw the whole western Canadian region into their commercial and general economic orbit. The National Policy of tariffs and railways was successful in preventing this absorption. As far as the western provinces are concerned, therefore, Canadian railways are to be regarded as expensive alternatives to American railways rather than as alternatives to no railways at all.

In summary, then, it may be noted that Canadian tariffs have denied to the residents of the Prairie Provinces the advantages of buying in the low-cost, mass-production industrial areas of the United States. Canadian tariffs have forced them to buy the more expensive Canadian manufactured goods and to pay the

freight on what is in many cases a longer haul over Canadian railway lines from the Canadian sources of supply. As producers, the people of the wheat economy have higher and more rigid costs of production as a result of tariffs. As consumers they similarly have higher and more rigid costs of living, I might add, as a result of tariffs. I am not comparing them with the United States.

Canadian tariff policy has pursued the dual national purposes of fostering Canadian industry and of creating traffic for Canadian railways. To the extent that these purposes have been achieved the residents of the prairie economy have borne a double portion of the cost involved. First, they have been denied access to many of the efficient mass-producing centres of American production for the purchase of their requirements. Second, they have had to pay transportation charges on their purchases for the longer distances from Canadian production centres.

MR. MacPHERSON: Dr. Britnell, In part I of your Submission you have dealt particularly with the Saskatchewan economy as it exists, and in Part II you have dealt with the national policy and its impact on the Saskatchewan economy. Now we are commencing Part III which deals particularly with the rate structure.

A. Yes, Part III deals with the rate structure, as counsel says, and is as follows, sub-section 1 being a sort of general summary of what is to come:.....

PART IIIAMELIORATION WITHIN THE RATE STRUCTURE1. GENERAL

In Part I of this Submission an attempt has been made to outline the development of the Saskatchewan economy and to appraise its position with respect to the economic life of Canada. The factual material presented in that Part indicates very clearly the dead-weight burden of the railway freight rate structure on the people of this Province.

No attempt has been made to deny the stubborn facts of geography but the position has been taken in Part II above that certain national policies have aggravated our geographical handicap by forcing our trade -- both import and export -- into east-west channels. In a sense our transportation problem has been created by these national policies which have been effective for many decades.

The construction and operation of our great railway systems have been a definite part of this National Policy. Reference has already been made to the origin and development of the Canadian Pacific Railway, but it might also be urged that the Canadian National system, if not a part of the National Policy, was certainly in its beginning and has continued during its development to be a direct instrument of national policy. The genesis of this system may be found in section 145 of the British North America Act, 1867, providing for the construction of the Intercolonial

Railway. Subsequent acquisition of privately owned railways, including certain obviously unremunerative lines, indicates the national attitude to the importance of these instruments of transportation. Gradually a great system has been created through extensions and consolidations and this system is in truth a national system.

It is the submission of the Government of Saskatchewan that the handicap under which the people of the Province suffer in relation to heavy transportation charges has largely resulted from national policies which, while perhaps supportable from the standpoint of the nation, have involved a heavy price being paid by this region as a part of that nation. It is likewise the submission of the Government of Saskatchewan that the pattern of railway development has been a part of national policy and that these railways should be considered as instruments of national policy in removing the disadvantages under which the people of this Province suffer. This matter will be developed further in Part IV of this Submission.

In the opinion of this Province, relatively little can be achieved through modifications of the rate structure as such. Nevertheless there are several features in connection with the present rate structure which deserve attention. Accordingly, in this Part a variety of matters which are related to freight rates either directly or indirectly will be considered.

2. BOARD OF TRANSPORT COMMISSIONERS

Closely connected with rates is the adequacy of supervision given by the regulatory body. It is the opinion of the Government of Saskatchewan that the Board as presently constituted, together with its technical personnel, is not an adequate body to deal with the transportation problems of Canada.

The opinion expressed in the previous paragraph has reference to the present duties performed by the Board. That opinion will be still more emphatic if the duties of the Board are enlarged as it is anticipated that they will be. In a later portion of this Submission it will be suggested that the Board should have and exercise a greatly enlarged jurisdiction over competitive rates. The Board should also be competent to carry out government policy, relating to development or otherwise, as expressed by Parliament.

It should be pointed out that no criticism of any of the present Commissioners is being made. It may no doubt be assumed also that in making appointments care is taken to secure able men who are conversant with public problems and with some interest in transportation matters. The technical personnel of the Board is, however, completely inadequate. It should be enlarged and strengthened by the appointment of accountants, economists, engineers and others who will be competent to understand and deal not only ^{with} routine matters but with transportation as a national problem. Matters of development,

matters of co-operation among the railway, for instance are worth of serious consideration by competent advisers.

It is also respectfully suggested that more appropriate and adequate quarters should be found for the Board and its staff.

3. ACCOUNTING PRACTICES

The principle that railways and other utilities should be subject to regulation by a competent public body has long been established. In Canada the regulatory body is the Board of Transport Commissioners. It is the position of this Province that no effective regulation of rates can take place without supervision of the accounting policies and systems of the railways and without a uniform accounting and reporting system prescribed by the regulatory body and enforced on the railways through periodic inspection of their accounts.

MR. MacPHERSON: Q. That regulatory body, I believe, would be the Board of Transport?

A. Yes.

Q. And the Board of Transport would have the duty of inspection?

A. Exactly.

Q. And it would be continuous?

A. Yes.

The principle is rendered more important through the fact that the railways constitute the largest public utility in Canada. In 1948 railway operating revenues for Canadian railways amounted to \$876.4 millions, or 6.9 per cent of the national income. In view of experience

in the recent rate cases the Province takes the position that the Board should assume responsibility for production of all data which may be relevant to the adequacy of rates and that special information¹ required in rate cases by the respondents should be produced under direction of the Board and its technical advisers. Schmidt, a leading authority¹ on public utilities, has written as follows regarding this matter:

"The theory underlying the creation of utility commissions was that the utilities could be expected to protect their own interests but the customers could not; hence the commissions were designed to act as "people's defenders" and to adopt a policy of continuous scrutiny of company policy attempting at all times to foresee the effects of policies and to advise and order changes in the public interest.

The propriety of the cash operating expenses being charged by the utility to the user can best be governed through a uniform system of accounts coupled with periodic inspection of the accounts by the regulatory body.

¹ Emerson P. Schmidt, Public Utility Economics, (1940)
p. 205

Without implying any lack of good faith on the part of the management, when the dividing line between capital and maintenance is not clearly defined by the regulatory body and in the absence of specific and detailed directions as to accounting in that connection, it is only human nature to charge the maximum to operating account and therefore against the user, and the minimum to capital, that is, against the owners of the utility. It is suggested that it is not proper, as the railways assume, that management should be the arbiter as to what maintenance should be charged to the user. In the matter of depreciation, it is not proper that the rates set by management should be accepted without investigation and production of supporting factual data to establish their validity. "Improvident or unreasonable operating expenses thus may have an effect on customers' rates as adverse as, or more adverse than inflated rate base or exorbitant rate of return."

It is suggested, therefore, that there be prescribed by the Board of Transport Commissioners a uniform system of accounts fully detailed as to the content of each account and giving particular attention to the separation as between what is operating cost and what is capital. It is further suggested that there be prescribed a uniform policy as to provisions for retirement of plant. The Board should have the right of inspection, by its technical staff, of the accounting and statistical records maintained by the railway. A standard form of annual report to the regulatory body fully detailed as to all necessary statistical and accounting information and available

to the public which pays the rates, should be in existence. There should be tests of maintenance and expense levels as to normality. The results to be achieved from the adoption of the foregoing would mean uniformity of accounts from year to year as between the different companies under regulation. It would also mean uniformity of interpretation through periodic rulings of the regulatory body. It would mean that the rules of the Board were being followed. It would also mean a standard policy of provision for retirement co-ordinated with the maintenance policy with which it must be integrated.

The Interstate Commerce Commission now has a fully developed system complete with underlying rulings on marginal issues. It is recognized that Canadian railways have been following accounting rules established by the Interstate Commerce Commission. In Canada, however, management interprets these rules as part of its prerogative. This can be seen by an example from the evidence relative to the N2 locomotives in the 20% case² and the difference that arose between the accounting and engineering concepts of the word "rebuilt". The result might be highly disadvantageous to the user by making improper charges to maintenance when the physical needs of the railway are being satisfied.

The Government of Saskatchewan wishes to point out most emphatically that the above suggestions are made on the assumption that subsidiary ventures such as the hotels and the mining investments of the Canadian Pacific Railway will be considered as railway investments for the purposes of rate making and that the accounting practices of these subsidiaries will be subject to the

² See Official Transcript of Evidence 20% Increase in Freight Rates Case 1949. Vol. 813 pp. 2966-7.

scrutiny of the Board. The Canadian Pacific Railway was incorporated and sponsored for the purpose of providing transportation to the Canadian people and their investments should be treated accordingly.

THE CHAIRMAN: Mr. MacPherson, we will adjourn now for ten minutes.

-- RECESS

MR. MACPHERSON: Q. Dr. Britnell, you are ready to start with the Hudson Bay Route?

A. Yes.

4. THE HUDSON BAY ROUTE

The Government believes that a substantial measure of relief for the people of this Province against high transportation costs could be obtained through a fuller utilization of the Hudson Bay Railway and the port of Churchill. This would undoubtedly involve the extension of port facilities.

The great expectations arising from the completion of the Hudson Bay Railway have not been realized although some progress has been made. There is much bitterness in the Province of Saskatchewan over the small use made of the route in face of evidence which seems to demonstrate its feasibility. The great saving in distance in the rail haul to tidewater would enable this route to provide a substantial service to prairie areas in relation to both exports and imports. Moreover, its strategic location in relation to northern mining development places it in a position of even greater potential importance.

No good purpose would be served by attempting to assess the fault for the limited use of this transportation facility. It is only natural to suppose that competitive shipping interests in eastern Canada do not look on this route with favour and that when trade channels have been firmly established there is a good deal of inertia to be overcome even among those who might benefit by a change. Regardless of blame it is suggested that no proper test of the value of the route has ever been made.

The suggestion is here made that a full scale test of the route should be made under proper supervision. Apparently there has been little co-ordinated effort in the past by the various interested agencies looking to the development of the port. If a federal agency interested in exploiting the full use of the railway and the terminal facilities were to give attention to this matter for a fair period of trial, it is believed that the feasibility of the route might well be demonstrated. Attention should also be given to rates and to diversion charges allowed by the Wheat Board.

A study of the submission of the Hudson Bay Route Association³ is recommended to the Commission in the hope that a fair test of the usefulness of this route may be obtained.

³ See Submission to the Royal Commission on Transportation by Hudson Bay Route Association (Saskatoon, June, 1949, mimeo.)

THE CHAIRMAN: Q. On that question of a test that you advocate here, do you intend somewhere else to tell us what you mean by the word "test" or are you relying on this submission.

A. Very largely. By a test that can only be demonstrated one way or the other by putting a considerable volume of shipping into it to take wheat out of there over a period of years. It is a practical test.

Q. You mean, having more vessels go into the port?

A. Yes. Create the conditions that wheat will be there when these vessels ^{arrive} and facilitating development in every way.

Q. That would then imply that the present terminal facilities are deficient?

A. It is not so much that they are deficient.

Q. There is not enough elevator accommodation?

A. Yes, there is enough but there doesn't seem to be any initiative now by national authorities to develop the port as a port for the export of wheat. We had in mind, sir, I think, to develop for the use of the Hudson Bay Route a federal agency as a national harbour board or department of trade and commerce.

Q. Does not the National Harbour Board take care of all ports?

A. We think it needs a little more; that it has not been going far enough.

Q. There is nothing to prevent those who wish to ship their wheat by that port in doing so now?

A. There are other problems such as these diversion charges that do militate against it very considerably.

Q. Does this submission by the Hudson Bay Route Association contend for that cause in favour of the use of that port?

A. Yes, I think they do.

COMMISSIONER INNIS: Q. Do they have a committee similar to other ports as provided in the Act?

A. I don't think so. I am only answering from memory.

MR. MacPHERSON: I don't think they have.

THE CHAIRMAN: Have what?

COMMISSIONER INNIS: An advisory committee such as other ports have.

MR. MacPHERSON: I don't think they have that at Churchill. They have officers but no committee such as you have at Halifax, Vancouver and Victoria.

MR. COVERT: I would like to clear that up now. My understanding is that all the ports have been asking for an advisory committee.

THE CHAIRMAN: I believe there is something like that in Quebec City.

MR. MacPHERSON: I understood that there were committees at these ports. Probably, my recollection went back to the report of that committee which has not been implemented.

THE CHAIRMAN: In the older days each harbour had its own harbour commission. When I first visited Quebec on an investigation they had a harbour commission there and they, of course, were doing all they

could to attract business to their port. I am not aware that Churchill suffers any more than any other port from the lack of local facilities.

MR. MacPHERSON: There is this difficulty at Churchill, of course, my lord, that Churchill is just a very small village. I don't think they have such a thing as a Board of Trade there whereas Halifax and Vancouver and these other cities have Chambers of Commerce and Boards of Trade.

THE CHAIRMAN: The Province of Saskatchewan is anxious to have that port developed? This submission is for that, but it is short and reference is made to the Hudson Bay Route. You are satisfied that that contains everything that you were asking?

A. We would merely like to sharpen up some of the points so that attention should be given by some federal authority and we thought we would like to be a little more specific, perhaps, in that.

MR. MacPHERSON: Q. Dr. Britnell, the next question is "Rail Extensions and Development Lines", and I think you have shortened that down.

A. Yes. The first paragraph of this section reads as follows:

"A satisfactory transportation service involves not only reasonable rates but adequate service as well. The area served by railways in this Province is very large so that despite the rapid extension of lines there are still many gaps to be filled and large areas in the north that are badly in need of transportation facilities."

Dr. Britnell

At the regional Hearings in Regina an outline was presented and a map filed as Exhibit 13-C, of extensions of rail lines in northern Saskatchewan to link up existing facilities and provide railway connections with mining areas. It is recognized that the operation of development lines might in the early stages prove unprofitable but that has been true of many established lines which were unprofitable in their initial stages. The development of proven areas should not be retarded by lack of transportation facilities.

Another problem in railway facilities arises at several points in this Province. This is the problem created by gaps in existing railway lines. It is not proposed here to specify all instances where these gaps occur but two might be mentioned as examples. The 37 mile gap between Val Marie and Mankota has been the subject of many representations to Provincial and Federal Governments and to the Canadian Pacific Railway by the residents of south-western Saskatchewan. The substantial development of irrigation in the Val Marie area under the P.F.R.A. programme of the Federal Government has been referred to while the hardships created in the past and the limitations imposed on future development have also been brought to the attention of the Commission in the Brief of the "Fill-the-Gap" Association⁴ presented at Regina. The Province strongly suggests the necessity for the completion of this railway line. A further example of an incompleted line is the gap between St. Walburg and Beaver Crossing.

⁴ See Submission to the Royal Commission on Transportation presented by the "Fill-the-Gap" Association (Val Marie, June, 1949, mimeo.).

Representations have been made to Canadian National Railways in respect to this extension. The inconvenience and high rates resulting from back-hauls necessitated by incompleted lines impose distinct hardships on sections of the population involved. It is urged that the final determination of matters of this kind should not be solely in the hands of railway management.

A somewhat different situation was pointed out in the brief presented by the R.M. of Coulee. ⁵_A railway line has been completed from Neidpath to Swift Current but has not been placed in operation. It might be mentioned also that a number of railway lines converge on but do not reach the city of Swift Current. The Province recommends that a study be made by the Commission of the facts surrounding the need for completion of such gaps and of railway extensions with particular attention to the instances presented by witnesses who have appeared before the Commission.

I believe that no useful purpose will be served by reading or discussing the projects referred to in this section or designated in the map which was filed as Exhibit 13C at the Regina hearings. A few instances of needed extensions and of filling in of gaps are described in this section.

I think I might usefully read the concluding paragraph of this section.

"This Province came late on the scene of confederation and is as yet comparatively undeveloped. The rate of development has undoubtedly been hampered by the impact of national policies. The railway systems represent an integral part of national policies and it is suggested that in the national interest and in the interest of this Province and of neighbouring provinces lines should be extended to northern areas which show promise of making a contribution to the economy of the community."

Mr. Chairman, I should like to refer back to Section 2 of this part where an enlargement of the powers, functions and personnel of the Board of Transport Commissioners was recommended. It should be obvious that in the matter of rail extensions and development there is a field for the fruitful use of such enlarged functions. The powers of the Board could be used not only to ensure that Government policies are executed faithfully and efficiently, but also through research the Board could render a conspicuous service in assisting and advising in the formulation of policy.

THE CHAIRMAN: Q. Has Canada not other research facilities and also the provinces?

A. Yes, they do, but I think - - I wouldn't want to be too dogmatic about this - - but these other research facilities may be somewhat biased.

Q. You assume that a board of research will be without that?

A. Yes, a board of trade.

Q. I mean a board of the government, a board of the Department of Mines of either the Dominion Government or the Provincial Government.

A. A provincial body could not do much with respect to lines being extended. So far as a federal agency, in our opinion and it is simply an opinion, we would think an extension of the technical personnel of the board might put that body in a position to rule on the economic feasibility of the proposed extensions.

Q. The initiative for proposed extensions would not come from the board; it would come from the railways and the board would have to have appropriate personnel to inspect?

A. No.

A. The Board would go out in northern Saskatchewan and northern Alberta and find out where these railways would go and inspect these parts?

A. No, I don't think it would be necessary. Boards of Trade would draw to the attention of the board the apparent necessities for these extensions. It would then be for the board to look into that. After they had made the investigation we would suggest that they would, in the first place, recommend to the railways that the extensions be made or the gaps be

filled in and then, if necessary, if the railways are in doubt, the board could recommend it to the government.

Q. When we were in Regina we had representatives, and I think they came along with the Hudson Bay Route, and they asked that they be given a railway connection with the Hudson Bay Route. They were in northern Alberta. That kind of a proposal, you say, ought to be investigated by officers of the Board of Transport Commissioners?

A. Yes, sir.

Q. Who, then, would make the recommendation that this application for this locality ought to be granted or not granted?

A. In my opinion, yes, because they might rule that it may not be granted.

Q. I want to make sure that you realize what an extension to the Board of Transport Commissioners would entail. The Board is now a regulatory board and you advocate a transformation in its character?

A. Yes.

Q. In Saskatchewan you have in the Department of Mines a Department of Research?

A. Yes.

Q. I can understand that these departments are governmental, but if you recommend that the Board be put into the field with research, you realize you are changing around considerably the nature of that Board?

A. Yes.

Q. You are making it in a way responsible for railway building and the opening up of new territory?

A. Yes.

. And incidentally, by the statements in your Outline you want it to stay a regulatory body?

A. Yes, we feel that the best ----

Q. I am just trying to discuss with you what you are opening up as to the activities of this Board.

A. In the past, the Board may have been a little too narrow.

Q. The Board is a body that is bound by an Act, and it cannot travel outside of that Act. It would entail considerable amendments to the Act?

A. Yes.

MR. MacPHERSON: I think, Mr. Chairman, as your lordship remembers, the evidence that was given at Regina?

THE CHAIRMAN: That was in respect to Southern Saskatchewan?

MR. MacPHERSON: Yes; these communities have no tribunal to which to appeal, and what we have sought is to establish some tribunal, and we have suggested that it be the Board of Transport Commissioners.

THE CHAIRMAN: Of course, if you are limiting the functions of the Board to matters of that sort, I do not think that is quite what Professor Britnell had in mind.

MR. MacPHERSON: I have mentioned the south, but in so far as the North is concerned, it means that expansion was asked by every witness at Regina.

THE CHAIRMAN: We have in southern Saskatchewan that gap. Under the Act as it is today, what function has the Board?

MR. MacPHERSON: They have none.

THE CHAIRMAN: I do not think that application could be made to the Board.

MR. MacPHERSON: Yes, but they were told they had no jurisdiction.

THE CHAIRMAN: And they also applied to the government here.

MR. MacPHERSON: They feel they have no remedy.

THE CHAIRMAN: Then it would be part of the duty for the Board to investigate that and recommend that action be taken?

MR. MacPHERSON: Or not taken.

(Page 10004 follows)

COMMISSIONER ANGUS: Are you assuming that the Board would have the function of giving advice to the railways or directives to the railways?

A. Well, I think we had in mind there giving rather strong advice to the railways but I don't think we would go beyond that. The next step would be if the Board were sufficiently persuaded that the extensions should be made and the railways were adamant against it, for the Board to recommend to the Government.

THE CHAIRMAN: Well, if it is only advice to the railways, haven't the railways their own advisory officials? They know where this gap is?

A. They know where the gap is -

Q. They would be fully informed as to whether or not it ought to be filled?

A. But they might not in terms of the broader economic view of the particular area. They might look at the expense and they might also be timid.

COMMISSIONER ANGUS: Well, if the Board gave advice to the railways and the railways took it, would the Board be under an obligation to maintain a rate level which would make the investment remunerative for the railways?

A. Well, it would certainly have to be considered as part of the whole picture of the rate level except that it is rather hard to believe that filling a gap of twenty or thirty miles would so affect the balance-sheet on one of the two larger railways to count for very much.

Q. You do not limit this to one gap, say, a thirty-mile maximum?

A. No. The cumulative effect though even of a number would not be very great. There are a very few anomalies, or at least we consider them anomalies, in the railway development in Saskatchewan that, over a period of years, could be taken care of pretty painlessly but which have been neglected in the past.

Q. Aren't there a great many collective areas which, in the opinion of some people, show promise of making a contribution to the economy of the community?

A. Yes, but that does not obligate the Board to so find and in that case or the great majority of cases they would say an area has not been proved and must pretty clearly be proved before any advice is given to the railways to extend.

THE CHAIRMAN: You would have the Board which regulates the railways in their freight charges and so on at the same time advising them to do this? Isn't that rather an invidious position that the Board is in? Again on the broader question, for instance, the Hudson Bay Railway has been built and the Port of Churchill established. Well, it goes without saying that the Board of Transport Commissioners has nothing to do with that but, as I understand you, in future they should be the persons who would deal with that sort of practice - examine and recommend it?

A. Well, I think when the project costs as much and involves as much capital as the Hudson Bay Railway that the Board of Transport Commissioners might very well not take any action. That is getting into very big money whereas the extensions and the filling of gaps which we have in mind are relatively small considerations but peculiarly irritating to areas which, to the satisfaction of local authorities, seem to be warranted in the extension of rail facilities.

Q. Would you agree with this, that the dominating factor regarding the Board of Transport Commissioners is that they ought to be always in a position of complete independence towards the railways?

A. Yes.

Q. And do you think you could maintain that position of the Board if it had to perform the function which you would now put upon it?

A. I think they could still be independent in the sense that they are advising the railways to do this and advising the Government, if the railways do not take action of what they consider to be the economic development. That, of course, does not necessarily mean that the Government of the day will agree with the Board of Transport Commissioners in pressing the matter any further but it does provide a means. It does not mean that the advice of the Board of Transport Commissioners will be acted on by the Government of the day but it does provide -

Q. What kind of a situation would that create then? You would have it that the Board, a body specially designed and equipped for that purpose have investigated a portion of the country and made certain recommendations and the Government refuses to carry them out. Then what would happen? The Board, you see, has been appointed by the Government itself.

A. Well, in any Government there are likely to be delays and the Government might not consider the time opportune to instruct the railways to fill a gap or to make an extension. I do not think the Board of Transport Commissioners' authority would be seriously undermined by the fact that the body which creates it does not always act on its advice any more than any other Board of Commission.

A. Well, the Government designated them to make researches and make recommendations but we have them now as part of the Government themselves like the Department of Mines and National Resources in this Province and with the other provinces and in all the provincial governments these people function within the Government?

A. Yes.

Q. They make reports which the Government reads and may or may not agree to adopt but would you have this regulatory body of the railways making these investigations and then recommending that certain things be done by the Govern-

ment? I would just like you to explain that. You are making a very different body out of that Board.

A. Yes, I think we think it is a bit of a shame that the unique technical advantages of the Board of Transport Commissioners cannot be utilized in the appraisal of the economic possibilities from the standpoint of the area and of the railways in these cases. They are in a very different position from any other branch of Government, federal or provincial in appraising an area that is asking for an extension.

COMMISSIONER INNIS: You would not think the Department of Transport could do that sort of thing?

A. No, I rather doubt that they are so equipped.

THE CHAIRMAN: Could they not be equipped?

A. It is quite possible that they could be.

Q. Then you would have a department of Government?

A. Yes, it is quite possible they could be. I don't think we are wedded to any particular formula or anxious to thrust this on the Board of Transport Commissioners if any other body could be found to do it as well.

MR. MacPHERSON: What we are seeking, I think, is some formula to deal with the complaint of a locality in that connection.

THE CHAIRMAN: You would not suggest anything that would injure the independent regulatory position of the Board?

MR. MacPHERSON: No. Now you go on with "Special Cases"?

A. Yes. That is sub-section 6 of Part II: Much has been said during regional hearings about certain special rates, lower than standard, which have been in effect for a long period of years and have now undergone or are in the process of undergoing substantial increases over and above the general increases applicable to all rates. Specific reference may be made to special seed grain rates, purebred livestock and exhibition rates, and farm implement rates.

It is the contention of this Province that rates of this nature put in many years ago as an important measure of assistance to the development of an industry come to be relied upon, and that any substantial disturbance of such rates may threaten the continued existence of the industry concerned. Strong evidence of the danger of this was given at regional Hearings in Western Canada (6). The railways should not have the sole discretion as to the continuance of such rates. While this condition exists, railways exercise virtually a determining influence over the very lives of such industries. The situation and the principle involved in this type of rate is entirely different from that related to competitive rates.

It is specifically suggested to this Commission that tariffs of this nature should not be disturbed except after a thorough inquiry into all the circumstances, economic and otherwise, which would follow from such action. A review by the Board before adjustment of these rates should be mandatory and that review should include the most careful consideration of all the factors involved. It is further urged that increases of this type which have been announced but not yet put in effect should not be made until this Commission has had an opportunity to consider the matter.

(6) See Brief presented on behalf of the Saskatchewan Cattle Breeders' Association to Royal Commission on Transportation (Regina, June 1949, mimeo) and joint presentation of Alberta Crop Improvement Association, Alberta Seed Growers Co-operative Limited, Alberta Branch Canadian Seed Growers Association, Saskatchewan Seed Grain Co-operative Limited, Saskatchewan Forage Crop Growers Co-operative Marketing Association, Saskatchewan Branch Canadian Seed Growers Association, Manitoba Crop Improvement Association, Manitoba Branch Canadian Seed Growers Association, to the Royal Commission on Transportation

(Winnipeg, June, 1949, mimeo).

THE CHAIRMAN: It says that "increases of this type which have been announced but not yet put in effect should not be made until this Commission has had an opportunity to consider the matter". You mean us, do you?

A. Yes.

Q. How would you bring that about? Upon whom are you urging this - upon the railways?

A. Yes, I think that would be the answer. I think they are the only people who could.

Q. Has the Board any power now to step in and prevent these things from being done?

MR. MacPHERSON: It has the power to suspend and in one instance has suspended it - agricultural implements.

MR. O'DONNELL: I think the purebred livestock matter is before the Board at the present time.

MR. MacPHERSON: No, the purebred livestock is dead; that died last May. The Exhibition Association is still alive and will be until the end of December when it is out too.

THE CHAIRMAN: There is a reference in the sentence I just read: "a review by the Board"?

A. Yes.

Q. Because obviously this Commission could not do that.

A. Yes. Subsection 7 is Regional Costs. It is not contended that Freight rates should be based on regional costs although there is some opinion in favour of such a theory. It is submitted, however, that the costs in the prairie region are low and that this is a factor which should be an argument against abnormally high rates in the region.

When the nature of the terrain, climatic conditions and other factors are considered, the conclusion seems obvious

that construction, maintenance and operation costs must be comparatively low in this region. A study has been requested on this question and it is hoped that the investigation will be adequate. In this connection the position is taken with absolute definiteness that the high costs of construction and operation in the region north of the Great Lakes can in no sense be chargeable to the prairie region. This route was dictated by the National Policy and the prairie region ought not to pay additional costs as a result.

A reference to the removal of the Mountain Differential, with its apparent indication of an abandonment of the regional costs theory, is appropriate at this time. During the course of the hearings on this question the following statement was made on behalf of the Province of Saskatchewan. (7).

"The Government of Saskatchewan feels that, should the facts as ascertained by the Board be such as to demonstrate conclusively that an injustice is being done to the Province of British Columbia, then it would follow that the Province of British Columbia would be entitled ultimately to relief in some form. The Government submits, however, that the Mountain Differential is but one of a number of examples of alleged inequality in the Canadian freight rate structure and further submits that a thorough review of the entire rate structure would establish that the burden of maintaining transportation services in Canada as a whole falls with undue severity upon the people of Saskatchewan and the Western provinces generally. For these reasons the Government of Saskatchewan strongly urges that all instances of alleged discrimination be considered as part of the entire national transportation problem."

(7) See Official Transcript of Evidence, Mountain Differential Case, 1948, Vol. 799, pp.3496-7.

The position of the Province might be restated as follows: the principle of regional costs is not being put forward as a basis for rate making, but it is strongly urged that a low cost area should not be forced to carry a heavier burden than high cost areas or than the nation as a whole.

8. EQUALIZATION

It has been emphasized in the earlier portions of this Submission that rail transportation is vital to Saskatchewan's welfare and that without an efficient railway system the Province could not survive or make its contribution to the welfare of the Dominion. The people of Saskatchewan are fully conscious of their complete dependence on rail transportation and consequently are anxious that their approach to the solution of the problem of transportation and transportation costs should be made in a spirit of co-operation with transportation agencies to the end that a policy fair to the railways and equitable to all users of their services may be evolved.

(Page 10017 follows)

It is the desire of the Province of Saskatchewan to make clear that it recognizes that even those features of the rate structure to which this Province takes most definite exception have, in a very large measure, been forced upon the railways by circumstances which they have of necessity had to meet in a manner calculated to ensure their survival as efficient operating enterprises capable of serving the needs of Canada.

In this section no attempt will be made to enter into an exhaustive discussion of freight rates as such. Rather, an attempt will be made to indicate objectives and submit some suggestions as to how, in the interest of the Province and of the nation, those objectives may be reached with the greatest measure of equity to all.

It will readily be conceded that the word equality represents a concept of experience rather than of strict logic in the matter of rate making. To carry a ton of diamonds for the same total as a ton of coal might seem quite equitable when viewed superficially but it simply would not work in a practical world of commerce. Hence the concept of classes has been introduced into all rate structures. When classes have been introduced to the reasonable satisfaction of all, other complicating factors arise such as regional costs and competing agencies. As a result the whole business of freight rates becomes complicated indeed and it will readily be admitted that an apparent patchwork may be the necessary result of actual experience in the competitive commercial world.

It has, nevertheless, long been the contention in the western region that as between East and West there has not been an equality in the matter of railway freight rates. More specifically it has been alleged that rates are higher in the West than in the East and that there is no reasonable ground on which this differential can be justified. This complaint is made without reference to national policies on the basis of which special relief for the Province of Saskatchewan will be asked.

The Canadian freight rate structure embodies different scales of standard rates serving as maxima in different regions of the country. These differences are also reflected in various class rate scales. The relationship between these rates in the various rate zones is not consistent, since inconsistencies appear both with reference to classes and to lengths of haul. The reasons underlying this situation are not clear. An appraisal of the actual degree of inequality introduced in one region compared with another would require complete knowledge of the traffic moving on these rates, but that the relationship is unfavourable to the West seems apparent from the pronouncements of the Board in the past. Departures from class rate scales are so common, however, particularly due to the force of competition in the East, that equalization of class rates, although to be desired, would not bring about uniformity of effective rates. It would achieve uniformity of ceilings and place shippers and consignees moving traffic on these rates on an equality of treatment. As a principle, however, a uniform class rate structure has at least the virtue of simplicity to commend it.

THE CHAIRMAN: Pardon me, you say that the Board has already pronounced itself, acknowledging that there is a discrimination against the West in the way of freight rates. Have you any cases?

MR. MacPHERSON: Yes, we are giving citations later on, my lord. We did not propose to read them, but on pages 81, 82 and 83, of the printed brief, there is a list of cases and a list of references to Orders-in-Council.

THE CHAIRMAN: I see, all right.

MR. MacPHERSON: We did not propose to read it, when we came to it, but we thought we could paraphrase it by a sentence.

COMMISSIONER INNIS: You would not be content with the waybill studies?

A. Well, we think that the waybill studies would be extremely useful when completed. We would think that they might be useful as background material.

MR. MacPHERSON: There is no information as yet as to what these disclose. We agree, and as a matter of fact, urge, or the provinces urge, in the 30 Per cent Case, that such a study should be made by the Board.

COMMISSIONER INNIS: But you want something more than the waybill?

A. Yes.

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Frequent reference has been made during the course of the Hearings of the Commission to the difference in treatment accorded to western and eastern Canada as a result of the distributing rates in the former and town tariffs in the latter. In the West, distributing rates apply on shipments from specified distributing centres to outlying consuming points whereas in the East town tariffs apply on movements in both directions between towns specified in the tariffs. It would appear that the application of the town tariff scheme would promote greater equality of treatment in the various regions and should the Commission's studies, requested by this and other provinces, confirm this view the town tariffs should be extended to apply in the West as well as in the Central Provinces.

Aside from such possible grounds of complaint as the one noted in the preceding paragraph there is a broader and much more deeply-rooted belief in the West regarding rate differentials. We believe - and there seems to be little doubt about the facts - that freight rates have been at a higher level generally in western regions than in the East. In the Saskatchewan Outline of Representations it was contended that "the evolution of the freight rate structure has resulted in definite unfairness to the prairie region". (p.7)

It will be conceded at once that a compelling statistical proof of this allegation probably cannot be made. Not all western rates are higher, some are lower. Moreover, a higher stated rate in a majority of

instances is not conclusive without reference to the volume of freight moving under various rates and without an analysis of the distances involved. The Government of Saskatchewan is in no position to make an accurate study and no acceptable study has been made by anyone, not even by the Board of Transport Commissioners. It may well be doubted whether the Board or either of the great railways has made such a study or is in a position to do so without a long period of preparation.

Nevertheless the history of decisions by the Board of Transport Commissioners and official pronouncements of the Dominion Government are consistent with the position here taken and indicate the existence of a factual basis for this contention. It seems proper that some of these decisions and pronouncements should be reviewed at this point.

The equalization of freight rate levels has been for many years an avowed policy of the Dominion Government and of the Board.

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Mr. MacPHERSON: Stopping there, which I think will be found at the top of page 81, and going to the middle of page 83, the paragraph starts: "Several observations", -- that is a series of cases, my lord, citations from cases and Orders-in-Council, and we thought we would save the time of the Commission in having it paraphrased. You might do that, Dr. Britnell.

THE WITNESS: This material merely refers to a number of representative decisions of the Board and certain Orders in Council during the period 1914 to 1948. It is submitted, with reference to these authorities, that equalization of freight rate levels has been for many years a policy of the Dominion Government and of the Board. We might generalize as follows:

1. There has been a belief by the government and by the Board that there has been a differential against the west;
2. That differential has been removed to some extent;
3. Policy has been in the direction of complete removal.

That summarizes, with the cases, I think.

THE CHAIRMAN: Does your reference here deal anywhere with the determination and application of Section 314 of the Railway Act?

MR. MacPHERSON: No, they refer particularly, as they say, to declarations of the Board in the Eastern and Western Tolls Case, for instance, and by the government in Order in Council, as to the desirability and as to the ultimate aim of equality. That is the point that is being made.

In the Western Freight Rates Case,⁸ decided in 1914, the history of toll making in Canada east and west of Fort William was reviewed, the Board finding that no reduction in tolls had heretofore been made in eastern Canada as a result of charging higher tolls in western Canada, although it was admitted that the tolls were higher in western than in eastern Canada, and that prima facie discrimination in such tolls existed. The Railway Act as it now stands does not forbid all discriminations and preferences but only unjust discrimination or undue preference. The Board found that the existing discrimination between tolls in eastern and western Canada was not unjust but was justified by effective water competition and by the competition of U.S. railways throughout eastern Canada.

Then in 1916 in the Eastern Tolls Case,⁹ the Chief Commissioner speaking for the Board is reported as follows:-

"There is no doubt but what the Act requires and the general public interest of the country as a whole demands, that, if practicable, eastern rates should be advanced so that the different schedules may more nearly approach a parity (with western rates).

"I am aware that an absolute parity is impracticable, but, as conditions become similar, a reasonable parity ought to be obtained."

In the following year an extract from a decision of the Board is to the same effect:¹⁰

⁸ See *In re Western Tolls*, 17 C.R.C. 123 (1914).

⁹ See *In re Eastern Tolls*, 22 C.R.C. 4 (1916), at p. 41.

¹⁰ See *In re Increase in Passenger and Freight Tolls*, 22 C.R.C. 49 (1917), at p. 84.

"While it is true that in so far as western territory is concerned, on the great bulk of traffic rates would only increase approximately 10% and eastern rates are, speaking generally, raised 15%, it must be borne in mind that, while the rates in the two different sections of the country are much nearer equality since the reductions worked under the Western Rates Case and the increases given under the Eastern Rates Case took effect, again, speaking generally, rates in the West are still higher."

In the rate increase effective August 1,¹¹ class rates were increased by 25 per cent. in both eastern and western Canada but in the territory west of Fort William the increase already allowed was disregarded. In effect class rates were increased by a greater amount in eastern than in western Canada thus further equalizing rates in the two regions. Commodity rates were increased in some instances according to a definite schedule but on commodities not enumerated the increases were higher in the East than in the West.

In 1920¹² the Board granted a general increase of 40 per cent. in eastern freight tolls and 35 per cent. in western freight tolls. After repeating, with approval, the Board's decision, quoted above in re Eastern Tolls, the Chief Commissioner stated¹³

"... I am of the opinion that it is justifiable to allow

11 See Vol. VIII J.O.R. & R. 277 (1918).

12 See Railway Association of Canada v. Canadian Manufacturers Association, et al, 26 C.R.C. 130 (1920).

13 See Railway Association of Canada v. Canadian Manufacturers Association, et al, 26 C.R.C. 130 (1920) at p. 143.

"a reasonably less percentage of increase on freight tolls west of Fort William than east thereof."

The Governments of Manitoba and Saskatchewan appealed the Board's decision in the 1920 case to the Governor General in Council and on October 6, 1920, it was referred back to the Board with the following statement, *inter alia*:¹⁴

"Whether or not these reasons (for the difference in rates between eastern and western Canada) now obtain in any substantial degree is a question which requires minute and expert investigation such as can be best conducted by the Railway Commission itself and not by Your Excellency's Advisers, but the Committee is strongly impressed with the very great desirability of bringing about with the least possible delay equalization of Eastern and Western rates."

The Board in its judgment,¹⁵ reviewed its previous decision as directed by the Governor General in Council but refused to make any alterations in the increases previously allowed on the grounds that (a) the interjection of equalization into the rates case was purely incidental; (b) the Board would not have been justified in attempting to deal with so important a question at such short notice; (c) the factors which first led to the establishment of these different rates, namely, water competition and that offered by the railway lines of the eastern United States, had been for some years in an abnormal and unsettled condition and that their future influence on rates in eastern Canada was an entirely unknown and unpredictable quantity. The Board, however, declared that it was

14 See *Governments of Manitoba and Saskatchewan v. Railway Association of Canada*, 26 C.R.C. 147 (1920), at p. 151.

15 See *Governments of Manitoba and Saskatchewan v. Railway Association of Canada*, 26 C.R.C. 298 (1920).

prepared in compliance with the request of the Governor General in Council to take up the question of equalization at once.

In consequence of a study undertaken by the Board some relief was given to the western region and the following significant statement appears in the decision:¹⁶

"While as a consequence, naturally to be expected, from difference of conditions, many prairie rates have a spread over the eastern rates, the course of the decisions of the Board, including the present decision, has been to narrow this spread wherever possible."

Accordingly, the Board reduced rates in western Canada to $12\frac{1}{2}$ per cent. and in eastern Canada to $17\frac{1}{2}$ per cent. above the levels which prevailed prior to September 6, 1920, when the decision in Railway Association v. Canadian Manufacturers Association became effective.

Under Order in Council P.C. 886, Junr 5, 1925, the Board was directed to make a general investigation of freight rates. The policy of the Government and of the Board was declared to be one " ... of equalization of freight rates . . . to the fullest possible extent as being the only means of dealing equitably with all parts of Canada . . ." In its decision,¹⁷ the Board dealt with numerous inconsistencies in the rate structure, with the rates on grain through Vancouver, the transcontinental rate scale, and the Mountain Differential. It did not, however, deal specifically with prairie vis-a-vis eastern rates.

16 See re Freight Tolls, 27 C.R.C. 153 (1922) at p. 177.

17 See In re General Freight Rates Investigation, 33 C.R.C. 127 (1927).

Thus it can be seen that the trend of the Board's decisions has been steadily toward equalizing rates in eastern and western Canada. This trend has been consistently supported by the Government of Canada.

In the decision of the Board in the 21 per cent. case (Order 70425) delivered on March 30th, 1948,¹⁸ there was no effect given to the repeated claims of east-west disparities. It is to be noted, however, that P.C. 1487 issued by the Dominion Government after studying Board Order 70425 granting the 21 per cent. horizontal increase, referred to P.C. 886 of June 5, 1925, and ordered a general rate investigation:

"with a view to the establishment of a fair and reasonable rates structure which will, under substantially similar circumstances and conditions, be equal in its application to all persons and localities so as to permit the freest possible interchange of commodities between the various provinces and territories of Canada and the extension of Canadian trade both foreign and domestic, having due regard to the needs of agriculture and other basic industries."

Thus it will be seen that equality is still a principle having the approval of the Federal Government. In view of its influence on relative rate levels a word has already been said with respect to the removal of the Mountain Differential.

Several observations were made respecting the freight rate structure in the Saskatchewan Outline of Representations filed with the Commission.

¹⁸ See Re General Increase in Freight Rates, 62 C.R.T.C. 1 (1948).

For example:

"In making representations to the Commission the Government labours under the handicap that detailed statistical material is not available for examination and study. Consequently in the following sections of this outline it will be respectfully suggested that the Commission should undertake the responsibility of having proper investigations made into certain specific matters. We are of the opinion that this is the only method by which reasonably exact information may be obtained". (P.1)

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Among the foremost of these investigations were the following:

I would like here to make a rather important correction. That word "investigations" should be "representations" --:

"Among the foremost of the representations" - rather than:

"Among the foremost of these investigations". It does not make sense, particularly with reference to the third point, if it is "investigations".

Among the foremost of the representations were the following:

(1) that a careful study be directed by the Commission regarding the differential between the actual rates in the prairie region and other regions;

(2) That a careful study be made of the costs - revenue ratio in the prairie region and the other regions;

(3) That rates in this province and region be drastically reduced not only on the merit of the arguments suggested above, but also as a protection against disaster to the province in the future, -- a disaster which would threaten national unity."(p.4.)

The reference is to page 4 of the Saskatchewan Outline of Representations as filed with the Commission in April of this year.

The determination by the Commission of the facts respecting effective rate levels and differentials generally as between the various regions is regarded by this province as essential. Factual information so obtained will provide a basis for appraising the relative regional impact of the burden of maintaining

essential railway services in Canada. Such an investigation is quite beyond the facilities of any province to undertake, but that a differential has existed and that the disparity has been unfavourable to the West seems clearly established in the pronouncements of the Board of Transport Commissioners and the Dominion Government.

The position of the province is made abundantly clear at pages 64-5, Part II above.

THE CHAIRMAN: Pardon me a moment.

THE WITNESS: I am sorry, I am reading from the mimeographed edition. I should have corrected that.

MR. MacPHERSON: Perhaps I had better tie that up. 83, Part II, will be page 64 of the printed brief.

THE CHAIRMAN: Yes, I see.

THE WITNESS: In brief, the net result of increased competition by other carriers has been to impose on the Prairie region a larger comparative load in order that railway earnings might be maintained at an adequate level.

Saskatchewan believes that railways are the most essential transportation agencies in Canada, and that they are and should be considered as truly national in their scope. Some improvement can doubtless be made in the rate structure. Such relief, however, will be relatively trifling and will not of itself be sufficient even if all differentials are removed. Something further will be required if the injustice created by the operation of the National Policy on this region is to be corrected.

THE CHAIRMAN: Now then, that "something further"
-- you are going to define that?

MR. MacPHERSON: Yes, my lord, that comes in
later.

(Page 10,032 follows)

In closing this section it should be pointed out that all injustices will ^{not} be removed even by drastic changes in freight rate levels. This Province, along with Alberta and portions of Manitoba, has suffered and continues to suffer a gross injustice as a result of certain tax exemptions given to the Canadian Pacific Railway.

This exemption was provided for ^{by} clause 16 of the contract with the Railway ratified by chapter 1, Statutes of Canada, 1881. The clause reads as follows:

"16. The Canadian Pacific Railway, and all stations and station grounds, work shops, buildings, yards and other property, rolling stock and appurtenances required and used for the construction and working thereof, and the capital stock of the Company, shall be forever free from taxation by the Dominion, or by any Province hereafter to be established, or by any Municipal Corporation therein; and the lands of the Company, in the north-West Territories, until they are either sold or occupied, shall also be free from such taxation for 20 years after the grant thereof from the Crown."

The question is now before the courts as to what lines of the Canadian Pacific Railway the exemption from taxation extends. It is here submitted that as a matter elementary justice the exemption should be entirely removed and that is a question properly to be considered by the Commission.

MR. MacPHERSON: Q. That is as to whether it covers branch lines?

A. Yes.

THE CHAIRMAN: It is before the courts in Ottawa?

MR. MacPHERSON: It is before the courts in Saskatchewan. There was an application made to the court there by the government and the railway jointly. The decision of the Court of Appeal of Saskatchewan was that the Canadian Pacific Railway as defined here merely included the main line of the Canadian Pacific Railway, and I think there were two branch lines.

Mr. O'DONNELL: No, there were ^{branch} no lines.

MR. MacPHERSON: No branch lines in Saskatchewan. There were two branch lines, as I recollect, but they were not in Saskatchewan, and then there was also involved in the reference question as to whether or not the province had the right to tax as a business tax a railway, and there was a decision given by the court in Saskatchewan. The judgment was that the province had the right to tax branch lines and they also had the right to impose a business tax. In the case of the business tax, the court was unanimous.

MR. CARSON: The case is now in the Supreme Court of Canada.

MR. MacPHERSON: I knew that an appeal was being considered, but I did not know that it had been launched.

MR. CARSON: The case is already in print.

THE CHAIRMAN: Does the Province still tax the earnings of the C.P.R.?

MR. MacPHERSON: By agreement there is a certain sum paid by the Dominion in lieu of taxes.

THE WITNESS: That was paid prior to the Dominion-Provincial Tax Agreement.

THE CHAIRMAN: There was formerly a statute?

MR. MacPHERSON: Yes.

THE CHAIRMAN: Q. Were you paid taxes on railway earnings?

A. No, taxes were never paid under that statute; it was always a compensation in lieu of taxes.

THE CHAIRMAN: A lump sum was paid each year; but that has been altered?

MR. MacPHERSON: Yes, my lord, the position now is that that was in the nature of a corporation tax and the Act has been suspended under a Dominion-Provincial Agreement. There is an agreement between the Dominion and seven or eight provinces by which certain taxes are taken by the Dominion and an amount paid in lieu of them.

THE CHAIRMAN: Q. The Province is being offset by the Dominion?

A. The real fight now on behalf of the same provinces is to enable the municipalities to tax the property.

COMMISSIONER ANGUS: Q. Does the municipality tax the property of the Canadian National Railways?

A. I think they did all the way through

9. COMPETITIVE RATES

It is the view of the Province of Saskatchewan as stated at page 4 in its Outline of Representations that "the matter of competitive rates will, and should, assume a very considerable importance in this investigation". The Commission was requested by the Province to make certain studies to ascertain the facts relative to

competitive rates, the adequacy of their level and whether the extension of control over rates and services of competing agencies should be recommended.

It is important, in any consideration of the competitive rate aspect of the Canadian freight structure, to bear in mind the history of the development of this class of rates particularly in recent years. Competitive rates may roughly be divided into water compelled and truck competitive. The competition also may be real or potential.

Water competition in eastern Canada has from the inception of railways exerted considerable influence on the rate structure in that area. The movement of traffic by water of course antedated the building of railways. This natural alternative means of conveyance has been improved from time to time by the expenditure of public funds out of the national treasury which has increased the competitive force exerted by the natural waterway. It may be said here that the Province of Saskatchewan acknowledges that to some extent and for a portion of the haul this competition has provided somewhat lower overall rates for Saskatchewan products and Saskatchewan requirements. Nevertheless, with water competition concentrated entirely east of Fort William (except for the Panama compelled transcontinental rates) and the total lack of navigable waterways on the prairies, it is certain that the benefits flowing from this type of competition, both real and potential, are of relatively greater importance in eastern Canada than on the prairies. In sharp contrast to the situation on the prairies the movement of an extremely large proportion of total traffic in the East comes under the influence of water competition. In fact practically

all large industrial centres are located on the natural waterways, taking advantage of the benefits which such locations offer.

Water competition has thus undoubtedly exerted a potent influence on rail rates, and consequently railway revenues. Of at least equal significance, however, particularly since the general adjustment of rates in 1927, the rate structure then established has suffered from the heavy impact exerted by the growth to major proportions in eastern Canada of uncontrolled truck competition. Great improvements in highways and technical advances resulting in larger and more efficient motor trucks have brought about a steady growth in traffic susceptible to truck transportation forcing the railways to establish very low rates in order to retain a share of this type of traffic. Whatever may be said of the equity of the rate structure established in 1927, as a result of the general investigation, there can be no question but that it has been very substantially distorted by the steadily increasing prominence of the motor truck in the transportation field.

The problem thus created for the railways and for their customers has been rendered the more serious from the national point of view by the tremendous regional variation in the force of this competition. These regional differences arise from a number of different causes. In the first place the widely scattered nature of population distribution in western Canada, and particularly in Saskatchewan, has made the building and maintenance of hard-surfaced roads far too expensive a procedure for the Province to bear except on an extremely limited scale. By contrast, in eastern Canada population

is more concentrated due to industrialization and the location of large urban centres contiguous to natural waterways. This has facilitated the building of a very complete network of highways of high standard. Secondly the rigours of the western climate drastically limit truck transportation during a substantial period of the year. The limitations actually are greater than the length of the winter season might suggest for during the spring break-up trucks are denied the use of the highways until the frost is out of the sub-base. This limitation applies even to the hard surfaced roads that do exist in the Province. By Ministerial order trucks are also banned from time to time during periods of heavy rainfall. This again is in sharp contrast to the situation in eastern Canada where truck ^{transportation} is carried on all the year round. Important as these factors are in limiting trucking generally in western Canada, in Saskatchewan and also in Manitoba the operation of motor trucks on provincial highways is closely regulated in the matter of franchises, routes of operation and, above all, rates which may be charged. In Saskatchewan the regulations of the Highway Traffic Board, the regulatory body, are on record with the Commission, being filed in Regina as Exhibits 17 and 17-a. In eastern Canada, it is understood, except for licensing and certain safety measures, truck transportation is entirely uncontrolled and is free to offer the railways the keenest and most wide-spread competition. The monopoly position of rail transportation has definitely been lost in eastern areas and rail rates have been subjected to drastic reduction.

THE CHAIRMAN: We will adjourn now.

The Commission adjourned at 1.00 p.m. to
meet again at 2.45 p.m.

(Page 10042 follows)

Dr. Britnell

Ottawa, Ontario,

November 24, 1949.

AFTERNOON SESSIONDr. G. E. BRITNELL, recalled

EXAMINATION BY MR. MacPHERSON (Cont'd.)

MR. MacPHERSON: My Lord, when we adjourned we had reached the point at the beginning of the first full paragraph on Page 86 beginning with "the Province of Saskatchewan - ", Page 113 of the mimeograph.

THE WITNESS: The Province of Saskatchewan does not blame the railways for the situation that has developed as a result of these influences. Likewise, with its limited jurisdiction, the Board of Transport Commissioners can not be held responsible for the disruption of the rate structure created as a result. Their powers do not at present extend to truck control and the fact of the existence of truck competition has had to be faced by both the Board and the railways. Far from protecting the integrity of the rate structure, the revenues of the railways, and the equality which should exist between shippers and consignees in various regions in Canada, the Railway Act appears to leave a loop-hole, in that discrimination and preference is not prohibited but only "unjust" discrimination or "undue" preference. Thus truck competition has been considered by the Transport Board as justifying the anomalous situation repeated time and again whereby different users of railway transportation are charged different prices for the same service. Competitive rates, without any question, give certain areas an advantage over others and the relative competitive position of different areas

is subject to frequent change.

COMMISSIONER ANGUS: Is it your view that all discrimination should be prohibited?

A: I don't think you could go that far by any means. I think you want to go farther in the general direction of equality but we don't think that is possible.

Q: What adjective would you chose instead of "unjust"?

A: I must confess, sir, I had never given the adjective any consideration.

MR. MacPHERSON: What we proposed to do, Commissioner Angus, in this connection was that the witness would outline general propositions which the province recommended and probably in argument we would try to reduce that to the question of the formula in so far as you could go in the matter of amendment.

THE WITNESS: If the forces of competition were equally distributed across the country and if the resultant rail revenues still provided adequately for railway needs, competition would serve equally the interest of all users of rail transportation services. Obviously this condition does not exist. It is obvious that had it not been necessary to institute the various competitive rates the railways would have received considerably more revenue annually. It seems safe to say therefore that in no small measure reduction of rail revenue as a result of the inroads made into the rate structure by competitive rates, largely in eastern Canada, helped to precipitate the situation which induced the railways to make application for rate increases. Thus it can plainly be seen that not only do wide disparities become firmly introduced into the rate structure

as a result of the efforts of the railways to meet competition, but when the device of a horizontal percentage increase is resorted to these disparities are accentuated.

It should be pointed out that in recent months the railways have made substantial increases in many competitive rates over and above the 21 per cent general increase allowed in April, 1948, and the disparities introduced into the rate structure as a result of competition are probably less today than two years ago. To whatever extent the situation has thus been temporarily improved, however, it must be borne in mind that competitive forces in the East are a constant threat to the rate structure against which western users of rail transportation should be afforded some protection.

It is submitted that the consideration of competitive rates involves two distinct problems. There is first the necessity for regulatory measures to provide for an examination of the propriety of individual competitive rates or groups of competitive rates.

The difficulty, or probably the impossibility, of railway officials determining when a competitive rate reaches the point that an actual loss occurs is one of the dangers inherent in the present method of establishing competitive rates. During the recent revenue cases before the Board of Transport Commissioners railway officials indicated the impossibility of ascertaining the actual costs of moving any given consignment of goods and expressed the opinion that in determining rates judgment and experience played an important part. Rate-making is not, and probably cannot be made, an exact science.

The difficulties involved should not, however,

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Dr. Britnell

excuse definite action being taken to provide regulatory machinery to control competitive rates.

THE CHAIRMAN: Pardon me, what does that sentence mean "The difficulties involved should not, however, excuse definite action being taken to provide regulatory machinery --"? Do you mean to say that the difficulties involved should not prevent definite action being taken?

A: Yes, my Lord.

Q: You said the difficulties should not excuse definite action being taken?

A: The difficulties, we would submit, are no excuse for not taking definite action.

Q: But you say "being taken". You have not got the word right. You say "the difficulties involved".

(Page 10,045 follows)

THE CHAIRMAN: Yes, but you see, you say "the difficulties involved should not, however, excuse definite action being taken ... ". You have not got the word "not".

MR. MacPHERSON: "Be not taken". I think the negative should be in there.

THE WITNESS: Oh yes.

THE CHAIRMAN: Would you say "prevent" - "The difficulties involved should not, however, prevent definite action being taken", would that be better?

THE WITNESS: That probably be equivalent, sir.

In view of their number and influence on the overall rate structure it stands out as one of the major anomalies of rate control in Canada, that the present regulatory body is not required to approve competitive rates and apparently has no jurisdiction over them except on complaint against an individual rate. The problem of competitive rate levels is not one that stops at individual rates. It is a cumulative problem with the institution of one competitive rate causing pressure for others. Furthermore, it is probable that competition will become an increasingly serious problem for the railway system of Canada in the future. The vital part which railways must continue to perform demands the most careful consideration of the impact of competing carriers.

Saskatchewan recognizes that competition, unequal as its impact is geographically, is nevertheless a fact which must be faced in a realistic manner. As business enterprises the railways should retain some freedom to

meet legitimate competition by instituting competitive rates, subject to investigation and approval of the Board of Transport Commissioners. It would seem that the investigation should be aimed at determining authoritatively the validity of the claims upon which the rate was based, the effect on rail revenues and particularly some affirmative assurance that the traffic involved will not be carried at a loss. It is ~~not~~ the desire of the Province at this time to draw up a formula which should be followed, but to clarify the views expressed above it is suggested that a competitive rate could be instituted by the railways and filed with the Board together with all data supporting the alleged necessity for its institution. A responsibility would then rest on the Board to investigate, within a stated period, the validity of the data so presented and determine the desirability or otherwise of allowing the rate to continue in effect.

THE CHAIRMAN: In the meantime the rates would be in effect?

A. In the meantime the rates would be in effect. We do not see how the railways could operate on any other basis, since it would take time to investigate.

Implicit in the foregoing is, of course, a review and determination on the basis outlined of the propriety of existing competitive rates.

The above observations on the control of competitive rates appeal to the Government of Saskatchewan as the most satisfactory solution. The suggested procedure assumes that the Board of

Transport Commissioners will examine each rate seriously and that a competent staff will be available to do the work thoroughly. This suggestion seems more satisfactory than the institution of a rate floor above which the railways may experiment freely with little fear of challenge.

THE CHAIRMAN: Have you any idea how many of these competitive rates there are in effect?

A. No. I do know that there are a very large number. I would suspect that a great many of them could be grouped together in terms of their general nature.

Q. Pardon me, you do say that all those which are in effect now should be studied by the Board, is that it?

A. Well, we were thinking more of the introduction, sir, of new competitive rates.

Q. I see.

A. Than those which are already in existence. It would be very nice if in the fullness of time the Board of Transport Commissioners --

Q. But you say here -

"Implicit in the foregoing is, of course, a review and determination on the basis outlined of the propriety of existing competitive rates".

A. Yes, we would like them to get around to examining the existing competitive rates as well.

Q. As I say, then, you know that there are a very great number.

A. Yes.

Q. You would have the Board examine them all and cancel them or approve of them as they go along?

A. Yes; that sounds a very large administrative job, but I would suspect that while it might present difficulties at the beginning, with the process of examination of experts the rates would tend to sort out, competitive rates would tend to sort out into groups, and that it would not be anywhere near as large a job ultimately as the number of rates in themselves suggest.

MR. MacPHERSON: You suggest, Dr. Britnell, that after a period of examination in this way, a pattern would develop.

A. Yes, that they would tend to fall into a pattern.

COMMISSIONER ANGUS: Would not the examination have to be continuous because a rate that might be at one time might be unnecessarily low if the costs of the competitive carrier had arisen?

A. Yes.

Q. So that means a very large order for the Board?

A. It is a large order in a period of rapidly changing prices and levels and rapidly changing costs. If we could ever achieve a measure of stability in price levels it would become very much less. That is why at the beginning of this discussion I suggested, in response to the Chairman, that we did not expect them to do it all at once.

THE CHAIRMAN: I think you put it on the standard there, looking further up, that the traffic involved should not be carried at a loss.

A. Yes.

Q. The railways themselves adopt similar criteria, they would say that the rate allotted should

not be lower than is necessary to make a contribution, or that would be sufficient to pay the cost and in addition something else, a contribution to overheads.

A. Yes.

Q. Do those criteria satisfy you?

A. I think so, but I think I would like to spell them out a little more fully in answer to the question. Our view is that competitive rates tend to be brought down to out-of-pocket expenses, with very little or no contribution to administration, depreciation, fixed charges or dividends: in this way forcing the non-competitive areas to shoulder the burden represented by these competitive rates. I think probably there is very little distinction between the two points.

Q. What would be the incentive to the railway to carrying the goods at a loss?

A. Well, so long as they are getting out-of-pocket expenses, from their standpoint they can continue to carry the business because their fixed charges will have to be taken care of from other areas. They are staying in the field, they are getting other types of traffic, and by staying in the field they may hope that some day the conditions would be more advantageous to them.

Q. If they went out of the field, to whose benefit would that accrue

A. Well, of course, it would first of all be to the benefit of the truckers in the area, but we have a feeling that perhaps the Board --

Q. I mean to say, would it be in the public interest?

A. Not for them to go out of the business unless they are definitely carrying it at a loss which represents something less than the out-of-pocket expenses; but we have a feeling that the Board of Transport Commissioners has not exercised enough vigilance in this field, and that some of these competitive rates may well be lower than is necessary to get the traffic.

Q. Now then, you would have the Board take action to see that all the existing rates do meet with the criteria advanced: that they are not too low, that they recoup the railway's costs and add something to the revenues above cost.

A. Not always add something to the revenue above cost, because this may exist where only out-of-pocket expenses --

Q. Then you would lessen those criteria?

A. Yes, or there would be a measure of flexibility in there, but the Board of Transport Commissioners would decide at what level they could be established to enable the railways to continue in the field.

Q. You say they should have some affirmative assurance that the traffic involved will not be carried at a loss, and in the case of the existing rates that it is not being carried at a loss?

A. No.

Q. That would satisfy you?

A. I think so, as long as it is out-of-pocket expenses it is not a loss in that sense.

COMMISSIONER INNIS: Do you distinguish between individual rates and the total? You might think of an individual rate as being perhaps what is termed a loss, but it might be near the point at which it is being carried at a loss. I think your point was that by adding together a great many competitive rates, all of which are near that point, a problem is created in which --

A. Exactly, that is, the railway could not carry everything at these competitive rates. It is a cumulative problem.

Q. How do you distinguish the matter of loss?

A. Well, I think that would be something that would have to be left to the judgment of the Board of Transport Commissioners with an adequate staff.

Q. It is a different problem as regards the total?

A. Yes.

COMMISSIONER ANGUS: Have you anything in mind as to the amount of railway revenue that would be involved? I mean, supposing you think these rates now involve a loss?

A. Yes.

Q. Or they are lower than necessary to meet the competition and could be a little higher. In the aggregate does it come to millions or thousands or hundreds or what?

A. I have seen various figures and I am afraid they have various figures, but there does seem to be enough evidence to suggest that it is a sizable amount of the total traffic, although, particularly not being an accountant, I cannot put any figure on it. I still

think it is a very sizable proportion of the total railway traffic.

THE CHAIRMAN: What figure had you in mind for the difference between the standard rate and the competitive rate?

A. Which?

Q. You see, is there any particular rate of which you can say that it is involving a loss?

A. Yes, whenever out of pocket expenses are not being covered.

Q. No, among the rates is there any one you can think of?

A. No. As I think we have pointed out, it is an extremely difficult matter to determine

Q. How do you know there is a great deal of money involved then?

A. Perhaps I misconstrued the Commissioner's question.

COMMISSIONER ANGUS: Revenue under the competitive and the revenue that would be received after the Board of Transport Commissioners has completed --

A. No, I have no idea of that. I am sorry, I was answering some other question. I thought you were referring to the total amount of traffic carried by competitive rates.

Q. No.

A. No, the difference between what that would have provided at the standard rate ----

MR. CARSON: I think the witness interpreted the difference between standard and something else. I didn't think the question involved a standard.

THE CHAIRMAN: That is the way I put it, the difference between the standard and the competitive rate. Have you any reason for saying that would mean millions of dollars?

A. No, I am sorry, sir, I was answering another question by mistake.

Q. I think Professor Angus was asking about the difference between the competitive and what you think the Board might allow above the competitive.

A. Yes. I was answering a question which I had misconstrued. No, I have no idea what is involved in there at all.

COMMISSIONER ANGUS: Do you think it would be enough to make a difference to the rates that would be charged elsewhere?

A. Well, we would very much like to know, but however much it does amount to we do believe that something might be saved to the rate payers in other areas.

THE CHAIRMAN: And you are not in favour of a rule such as I am told they have in Great Britain, whereby the railways are allowed to lower the standard rate down to a certain floor?

A. No.

Q. Without intervention.

A. No, I do not care for the sound of it.

The second problem in the control of competitive rates is, perhaps, peculiar to truck competition and involves control of trucking and possibly of trucking rates. It was suggested in the Saskatchewan Outline of Representations that the Commission might consider "whether, in the light of the information obtained, (by investigation of the whole matter of competitive

rates) control should not be extended over rates and services of competing agencies either by the Board of Transport Commissioners or by some other body." (p.5) This suggestion is reaffirmed at this time.

There seems little doubt that the control of the Board should be extended to the matter of inter-provincial trucking, both as to rates and the conditions of service. The further opinion is expressed that a uniformity of control over all commercial trucking would be desirable either through co-operation among the provinces or by a vesting of jurisdiction in the Dominion to the end that control might be delegated to the Board. The Government of Saskatchewan is prepared at this time to surrender jurisdiction over freight rates, in the case of all commercial trucking, to the Board of Transport Commissioners but it would wish to reserve such a measure of control as to protect the provincial highways and also protect the revenue position of the Provinces.

THE CHAIRMAN: What does that mean, taxation?

A. Yes, that is the motor licences, the gasoline tax, the revenues which would be necessary for them to maintain the highway.

Q. Yes, but if the Board was to have uniform control, would not they get licences from the Board of Transport Commissioners and be taxed by the province?

A. We had not thought they would. They would merely set rates.

Q. I don't know whether Saskatchewan is prepared for this, to surrender jurisdiction on all the freight rates.

A. Yes, it is the rates that we are thinking of.

Q. You would allow the Board of Transport Commissioners to say what rates these trucking companies shall charge in Saskatchewan?

A. Yes.

Q. But you would continue to licence them?

A. Yes.

Q. To say who is to truck and who is not to truck?

A. Yes.

Q. And you would fix the tax?

A. We would fix the tax.

COMMISSIONER ANGUS: Is the willingness of the Province of Saskatchewan conditional on other provinces doing the same thing?

A. I have no instructions from my government on that point. I see no reason why, personally, that should be so.

THE CHAIRMAN: You don't say it here, do you?

A. No.

The suggestion is also made that effective control might be exercised by provincial boards with an appeal to the Board of Transport Commissioners on matters coming within the area of centralized control. The question of jurisdiction is a difficult one, but it deserves consideration by all parties concerned.

THE CHAIRMAN: When you say "area of centralized control", that is something that has yet to be determined, isn't it?

A. Yes.

The Government further suggests that the investigation of truck competition should be a searching one. There is some reason to suppose that if the rapid

destruction of the highways by loaded trucks is taken into consideration it would appear that the cost to the public is greater in the case of truck transportation than in railway transportation.

THE CHAIRMAN: Do you think that the injury done to the highways is beyond what you can recoup by way of taxation?

Mr. MacPHERSON: I was going to ask Dr. Britnell that question, which is leading out of the question of your Lordship. Dr. Britnell, what is the position of the Province, as you understand it, relative to the control which it would retain over trucks?

A. I think the position of the Province might be summarized as follows. Truck transportation is a very difficult and important and perplexing part of the whole problem. The matter should receive the attention of this Commission and the constant attention of the Board. There are very wide ramifications to the problem, such as the destruction of highways, and all these matters should be investigated. If the situation calls for a surrender of jurisdiction, the Province of Saskatchewan is prepared to make the surrender, with the qualifications which we have noted with respect to -----

THE CHAIRMAN: I think your surrender only goes as far as fixing the rates, that is, the rates that the truckers shall charge to the public, and therefore the Government of Saskatchewan is prepared at this time to surrender jurisdiction over freight rates?

A. Yes.

Q. "In the case of all commercial trucking, to the Board of Transport Commissioners". (No answer)

MR. MacPHERSON: I think there is another

question I might ask Dr. Britnell which may clear that up. Dr. Britnell, have you in mind the approach to this matter from the transportation angle, and do you consider there is an integration of trucking and rail transportation?

A. Well, we believe that our two reservations, namely those of protecting the revenues and maintaining the highways, are reasonable reservations. What was once a provincial is now a national problem. The Commission does not of necessity have to recommend anything on this particular point. The position of the Province is that some study of the relationship of truck to railway transportation should be made; that it does require long-term planning, and that it is better done on a national than on a provincial basis. We believe that it is necessary to integrate railway and truck transportation, and that only in this way is any possible solution of the transportation problem possible.

(Page 10058 follows)

THE CHAIRMAN: Q Let us think of the situation you will probably have. Along a certain line of railway there is a parallel road. Take, for instance, between Calgary and Edmonton. You have the truckers on the road and the trains on the rails. You would have the Board of Transport Commissioners fix the rates of each?

A Yes; we look upon all transportation as one problem. We believe there is an inconsistency in trying to solve the one on a provincial basis and the other on a national basis.

Q Would that involve doing away with the competitive rates that the railways institute in such cases? If the truckers in Calgary and Edmonton had rates fixed for them by the Board and the rates were fixed for the railways by the Board what relationship would you say that they would bear to each other?

A There might be many things that the Board might do. They might set the rates at such a level that the truckers would not be able to compete, or vice versa, and there might be some division of traffic between the two.

Q They have already fixed the railroad rates and if they fixed the automobile rates at a certain amount, then they would allow them both to compete just as they are to-day by charging lower rates. Is that part of your study?

A I do not know that I can answer that because a not very extensive examination of the problem has been made.

Q When you say the Board should fix the rates, then the inference of the truckers would be to have them lower?

A No, but they should be high enough to they are

not economical, and that is why we ask for an investigation of truck competition because there is a good deal of pretty loose talk about the nature of it and a searching out of the economical facts is necessary.

Q You have just gone far enough into it to give us the elements of the problem and express a hope that it will be investigated. You have no solution?

A No.

MR. MACPHERSON: Q I think you want to emphasize the fact that it is a transportation problem and any measure of truck transportation and rail transportation go together?

A. Yes.

Q. You recognize the fact that the difficulties that the railways got into was the situation that developed during the thirties in Central Canada because of competitive rates due to trucking competition?

A. Yes.

THE CHAIRMAN: Q. You have been asked by certain other bodies to limit the scope of operation for truckers?

A. Yes.

Q. Some seem to think that they should not be tolerated at all where there is a railway?

A. Yes.

Q. You would give the Board the jurisdiction of that?

A. Yes, we would be prepared to leave that to the judgment of the Board.

Q. And the Board might say there will be no trucking between Saskatoon and Regina?

A. Yes.

Q. So that is more than fixing rates?

A. Yes.

Q. And what to you propose to do with regard to the licenses?

MR. MACPHERSON: It might be with this agreement that there would be less trucks licensed but those licensed would be within the control of the province.

THE CHAIRMAN: Suppose that you say you can have trucks running between point A and point B and the Province would license them, and suppose the Board said there will be no trucks running between Saskatoon and Regina?

MR. MACPHERSON: The witness is trying to get at this proposition as a whole.

THE CHAIRMAN: We are trying to get a solution for it.

COMMISSIONER ANGUS: Q. Have you given consideration to the possibility of some provinces accepting this liberation of jurisdiction and others not doing that?

A. Yes, it might be dealt with on a regional basis if the provinces in a certain area can be brought to a measure of co-operation either among themselves, which is what we suggest, or allow a measure of jurisdiction to the Board. We thought we should indicate the exact amount of jurisdiction we were prepared to give.

THE CHAIRMAN: Here is another question; the power of your province to surrender your jurisdiction to the Dominion body?

A. We can hardly surrender the matter of licensing and still be asked to maintain the highways. If the Dominion would extend the transcontinental highway to

cover all the highways then the province might surrender their license fees.

MR. MACPHERSON: There is the question of the matter of license fees which are not at the moment in the taxation agreement, and what is more, from the standpoint of the province there is the question of safety; the question of the right of the province to say who should operate a truck or automobile. There are the issues now when a man is convicted of wreckless driving or drunk driving.

THE CHAIRMAN: He is infringing a provincial statute, or perhaps, it is under the Code. What do you say as to the authority for the Board to say that trucks shall or shall not run on certain highways?

MR. MACPHERSON: I think the witness is suggesting to the Commission that the trucking situation is generally be-devilling the railway situation and there should be an investigation so the whole ten provinces could deal with this question because we believe that there should be efficient railway administration, and where you have a situation that be-devils it, then we feel that something should be done to integrate it, and we suggest that such an offer be made.

THE CHAIRMAN: This is a very generous donation on your part if you hand it over^{so} that the Board is able to say that trucks may or may not operate on your highways.

MR. MACPHERSON: That is, commercial trucks?

THE COMMISSIONER: Oh, yes.

THE WITNESS: Further to the question of competition in the transportation field the attention of the Commission is drawn to page 7 of the Saskatchewan Outline of Representations. It is there suggested that

a study of the possible contribution which public ownership of all railways could make to the solution of Canadian transportation problems, might well be undertaken.

10. Long Haul Rates.

In section 8. of this Part, above, some attention was given to the matter of equality. It was recognized, however, that the concept of reight rate classes has been forced upon us by the weight of experience. With this recognition a uniform class rate structure throughout the country seems to be theoretically sound.

Let us suppose that a uniform class rate structure is established. Immediately exceptions will be forced by the competition of other carriers and a competitive rate structure will develop. This phenomenon has actually occurred in Canada.

THE COMMISSIONER: In the last paragraph of the other matter you refer to a different Outline of Representation of Saskatchewan, and you say: "It is their suggestion that a study of the possible contribution which public ownership of all railways could make to the solution of Canadian transportation problems. ."
Have you the Outline there?

A. Yes.

Q. What does the Outline say?

A. I am afraid I haven't looked at the particular section. These are the precise words lifted from the Outline: "It is their suggested that a study of the possible contribution which public ownership of all railways could make to the solution of Canadian transportation problems, might well be undertaken."

Q. This is your final brief. You are not going any farther than you have gone in your Outline?

A. No.

Q. Where should this solution be looked for?

A. By this Commission.

Q. Have you any further material? You have a problem of that magnitude and you are not suggesting what we might do with it?

A. There are so many aspects that we do not feel competent with what little help we have.

MR. MACPHERSON: Q. You were at the top of page 118, Dr. Britnell?

A. Granting the inevitability of competitive rates, even though under the close supervision of a regulatory body, two other factors must be noted: first, the recognized principle of tapering rates, applicable to long hauls, and, secondly, the fact that the prairies have been grievously prejudiced by certain national policies. In the opinion of the Government of Saskatchewan it is a must that the situation be corrected through lower long haul rates to and from the prairies.

In the view of this Province there has been a shift in the relative burden of maintaining railway services as a result of the institution of the many thousands of competitive rates, chiefly in eastern Canada. This point may be illustrated by a hypothetical example. Let us assume two identical traffic movements for which the rate in both cases is \$1.00. Genuine competition develops in one area and the \$1.00 rate becomes depressed to \$0.50. The original revenue total of \$2.00 was derived equitably from the two rates of \$1.00 each. With the pressure of competition two things happened. The total revenue dropped from \$2.00 to \$1.50 and instead of each area contributing

the same amount to the support of an asset vital to both, the competitive area now contributes \$0.50 less than the non-competitive area. This is illustrated in lines 1 and 2 of Table I.

MR. MACPHERSON: I suggest that we take the Table as read into the record, and you may carry on.

TABLE I

	Rate <u>A</u>	Rate <u>B</u>	Total Revenue	Relation between <u>A and B</u>
1. Original rates	\$1.00	\$1.00	\$2.00	Equality
2. Competition develops at B	1.00	.50	1.50	Disparity \$0.50
Restoration of Revenues Requires Overall 33 1/3% increase.				
3. If competition has disappeared	1.00	1.00	2.00	Equality
4. If horizontal increase applied	1.33 1/3	.66 2/3	2.00	Disparity \$0.66 2/3
5. If force of competition same as at 2.	1.50	.50	2.00	Disparity \$1.00

THE WITNESS: While the ultimate result of rate cutting to meet competition may not immediately become apparent the cumulative effect of this process carried on year after year in increasing tempo must eventually reveal itself in the need for more overall revenue.

THE CHAIRMAN: Pardon me a moment. When these standard rates are fixed, it would seem to me that you assume that they are necessary rates?

A. We are not so much assuming they are necessary rates but they are equitable rates.

Q. You mean the railways cannot charge more?

A. No.

Q. That is their maximum rate?

A. Yes.

Q. But you seem to estimate that they are rather necessary rates. Here is a rate of \$1.00 and another

rate of \$1.00 and together they make \$2.00 and then you have a difference of .50 cents. Is that a proper way to calculate?

A. I think so, sir.

Q. Do you know to what extent maximum rates prevail in Canada?

A. No, I cannot say.

Q. Can anyone answer that?

MR. SINCLAIR: Standard rates. I think that there was an estimate made in one of the rate cases that it was a very small percent, 1 or 2 percent of the total.

MR. MACPHERSON: That was an estimate made by Mr. Newell.

THE CHAIRMAN: Q. That is the inference that you seem to draw from a statement of this kind?

A. We are putting this forward merely as a hypothetical example of what would happen.

Q. Do you mean an authorized rate?

A. Yes.

Q. That is the rate that Mr. Sinclair says is in very much use in Canada. Then you go on to say:

"A genuine competition develops in one area and the \$1.00 becomes depressed to \$0.50. The original revenue total of \$2.00 was derived equitably from the two rates of \$1.00 each." You are assuming that against the facts? The fact is that \$1.00 rate is not charged?

A. It is charged and we are inclined to suspect that in Western Canada the percent. might rise above 1 or 2 percent. I am prepared to take Mr. Sinclair's word that it is 1 or 2 percent. over the Dominion as a whole but we suspect that it is very much more for Western Canada.

COMMISSIONER ANGUS: Q. You are not going on the supposition that a rate is increased to make good a deficiency in railway revenue resolved in any reduction that might be.

A. Yes, we go on that. If a horizontal increase is applied it is increased by one-third.

Q. Is a horizontal increase applied to make good a deficiency?

A. I think it might be clear if I could read the next long paragraph to explain what we are trying to do.

MR. MACPHERSON: Q. Go ahead, doctor?

A. Under present regulatory procedure, when the need arises to restore revenues to the \$2.00 level - -

THE CHAIRMAN: Q. Do you mean the maximum charge? .

A. Yes, probably "\$2.00 level" is a rather loose word. "\$2.00 rate level" might be better.

". . .the disparity which the competitive rate introduced may be decreased, maintained or increased depending upon the force of competition at the time. Only if competition disappeared could this disparity be eliminated and equilibrium restored by raising the competitive rate to the normal level. In the event of the other extreme when no increase at all could be made on the competitive rate the whole of the increase would have to be obtained from the non-competitive rate and the disparity accentuated. Should circumstances be such that any horizontal percentage increase granted could be applied equally to competitive rates the disparity would naturally increase in terms of dollars and cents. These possible conditions are depicted in lines 3, 4 and 5

of Table I. Other combinations are, of course, possible. The point which it is desired to illustrate is that the existence of competitive rates in the rate structure unavoidably creates a disparity in the regional burden of maintaining the railways of Canada. There is a further consideration with respect to competitive and non-competitive rate differentials. In general it would appear to be difficult to refute the suggestion that if low competitive rates are profitable to the railways, non-competitive rates must be substantially more so. Whether or not competitive rates are profitable the non-competitive areas are shouldering a greater burden for providing net revenues to the railways than are the competitive areas and it can hardly be denied that non-competitive areas are, in effect, subsidizing operations where competitive rates are in effect."

THE CHAIRMAN: Q. Then one would assume that you would ask for the abolishing of competitive rates?

A. No, we are not going on any such theory. We recognize that you cannot eliminate competitive rates.

Q. You think they are a bad thing?

A. Not necessarily; they may be bad things but there are a lot of bad things in the world that we cannot get rid of. We have to find some other ways. We are leading up to that gently. There may be other ways that we may be able to substitute.

COMMISSIONER ANGUS: Q. Any form of increase of rate produces the same result that you attribute to a horizontal percentage. It is a matter where that device is used to make good the loss of rates in competition?

A. I think, perhaps, in this case we were still remembering what had happened in the other two cases where

horizontal increases were made.

The need for changing these rates as competitive pressure varies and the need for putting in new rates to meet developing competition introduces an inherent element of instability into the rate structure and the desirable national objective of a uniform distribution of the responsibility for maintaining railway services cannot therefore be achieved, let alone maintained, within the limits of any rate structure capable of implementation.

(Page 10069 follows)

The factors noted above are significant.

Coupled with these factors is the particular problem of the Province, running through the entire economy - the problem of the long haul. The long haul is involved in marketing the natural and the processed products of the Province and in the importation of consumer and capital goods from the industrial East. This is a problem common to the Prairie Provinces generally but, as has been implicit in the economic appraisal appearing in Part 1, it has a special significance for the Province of Saskatchewan. The problem of the long haul has been brought to the attention of the Royal Commission at the Regional Hearings at Regina, both by producers' organizations as mentioned elsewhere in this brief and by organized groups speaking primarily for the consumer such as the Local Council of Women, the Homemakers' Clubs and the Saskatchewan Federated Co-operatives. (19)

As previously set forth Saskatchewan products are bulky in relation to unit value and move in volume over long distances to reach domestic and export markets. Likewise imports from the East are heavy and great distances separate Saskatchewan from sources of supply. (20) This in itself imposes a heavy burden of transportation costs. To the extent that the western producer tends to bear the freight costs on his products in terms of a price less freight and on capital and consumer goods in terms of a factory price plus freight (21) the burden is accentuated and the people of Saskatchewan thus forced to bear a much greater share of the cost of maintaining the national transportation system than people in other parts of Canada.

In the opinion of the Government of Saskatchewan the long haul rates must be drastically reduced. Such (For Footnotes (19) (20) (21) see next page.

a reduction would, in a partial measure, at least, remove the handicap under which this Province has suffered as a result of the National Policy outlined in Part II.

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- (19) See Brief presented on behalf of the Local Council of Women, Regina (Regina, June, 1949, mimeo.), Submission by Saskatchewan Homemakers' Clubs to the Royal Commission on Transportation (Regina, June, 1949, mimeo.), Brief to the Royal Commission on Transportation presented by Saskatchewan Federated Co-operatives Limited (Saskatoon, May, 1949, mimeo.)
- (20) See also Submission of Regina Chamber of Commerce, Saskatoon Board of Trade and Associated Boards of Trade (Regina and Saskatoon, April, 1949, mimeo.) p.7.
- (21) See Saskatchewan Motor Dealers' Association, Freight Rate Brief for Submission at Regina (Regina, June, 1949, mimeo.)
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THE CHAIRMAN: You say there that "the long haul rates must be drastically reduced". Have you any idea how you would go about that?

A: Yes, my Lord, the whole of Section IV will be devoted to that. Section II deals with Crow's Nest Grain Rates briefly.

The freight rates on export grain usually referred to as Crow's Nest Rates, offer a perfect example of long-haul rates, fixed as a matter of national policy.

To the suggestion that the profitability of the carriage of grain under these rates should be inquired into, the categorical affirmation is here made that even if such rates are non-compensatory, such a conclusion is

completely irrelevant. The rates represent established national policy, the alteration of which would be ruinous to the wheat-growing areas.

The Province takes the position that the grain rates fixed by the Crow's Nest Pass Agreement constitute one of the basic conditions upon which the western agricultural economy was established and developed and which have enabled it to play its part in the economic life of Canada. The possibility of settling the West on a one crop economy and the desirability of speeding colonization of the prairies, induced the Government to enter into the Crow's Nest Pass Agreement to assist in bridging the gap which geography imposed between the producing plains and the consuming markets of the world. The considerations which gave rise to Parliamentary action with respect to grain rates are as valid or even more valid today, for experience has emphasized a factor which was less apparent at the time the Agreement was made. This factor is the inherent instability inseparable from an economy so dependent on the vagaries of nature. In an earlier section the violent fluctuations in yield and in price have been emphasized.

Stability of transportation costs at the lowest possible level is an absolute essential to the survival of the wheat economy. This at one and the same time imposes the necessity for the continuation of Crow's Nest grain rates and the protection of their integrity by statute.

Saskatchewan is the leading wheat growing province of Canada, normally producing, as has been indicated, substantially more than one-half of Canada's wheat crop. Similarly it is the province subjected to the greatest hazards of nature and consequently the highest degree of

instability. It is not too much to say that the continued ability of Saskatchewan to play its part in Confederation is dependent upon the prosperity of its wheat farmers, and that stable grain rates at a minimum cost are essential to that prosperity.

12. Specific Recommendations.

The Government of Saskatchewan believes that the factual data presented in this Submission demonstrates that an unduly heavy and disproportionate burden for the maintenance of Canada's transportation system falls upon this Province. It is further submitted that this result is brought about by the nature of this Province's economy, dictated by natural conditions and circumscribed by national policy. The unequal benefits of competitive rates and the remoteness of the prairies from markets and sources of supply, constitute economic and geographic disadvantages under which the economy of the Province must operate. For these reasons remedies suited to these particular conditions must be sought. It might be well at this point to review briefly some ameliorative measures which have been applied in the past in different regions, designed to offset locational disadvantages and coincide with the aims of national policy.

With respect to the removal of geographic disadvantages it is the view of the Province of Saskatchewan that the principles enunciated in the Maritimes Freight Rates Act are sound. With a country as widespread as Canada it is obvious that some areas will be more and some less favoured by geography. The conditions and responsibilities of union into one nation impose restrictions on the freedom to take advantage of normal trade relationships open to an individual area determining its own destiny. Inherent in the passage by Parliament

of the Maritimes Freight Rates Act is a recognition of the principle of compensation for the restrictions imposed on regions by policies adopted in the interest of the broader concept of nationhood.

It has been pointed out that the reflection of the national policy of an integrated Canadian economy was also revealed in the opening up of the West by the passage of the Crow's Nest Pass Agreement Act (60-61 Victoria, Chapter 5). This Act, as is well known, called for certain reductions in rates on grain and grain products moving to Fort William and Port Arthur and on a fairly comprehensive list of commodities moving westward. The Act, also provided not merely a rate arrangement but in its effect became the instrument of national policy upon which the western plains were settled. In 1925 the lower rates prescribed by the Agreement on commodities moving westward were cancelled. By this action a substantial element in the Agreement was removed and the west exposed to the full effect of distance from sources of supply.

It has been urged that the equalization of certain standard and class rate levels and the more comprehensive control of competitive rates, while desirable in reducing inequalities in effective rate levels between regions, will not and cannot solve the fundamental problem arising from the disproportionate burden for national transportation which falls upon western Canada. This is not to suggest that such inequalities as the Commission may find in existence should be ignored when recommending measures to lighten the burden in the Prairie Provinces.

The fundamental problem, and the one bearing most heavily on Saskatchewan and the adjoining provinces

is the long haul involved in marketing western products and in importing necessary capital and consumer goods, on both of which movements the west tends to bear the transportation costs. It is completely logical, therefore, to explore the possibility of applying relief through reduction of those rates which bear with such severity on the people of the West. There can be little question but that a substantial reduction in rates on all products shipped out of the Prairie Provinces and on all commodities imported into these provinces would provide a measure of effective relief reasonably commensurate with the disadvantages under which the prairie economy must operate. For such a reduction, there is ample precedent in the passage of the Crow's Nest Pass Agreement Act of 1897 and in the adoption of the Maritime Freight Rates Act of 1927. The inequity of the burden now shouldered by the Prairie Provinces has been clearly demonstrated and it should only remain to determine the means to be applied for its removal.

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That the Maritime provinces have laboured under a great disadvantage within the nation cannot be denied. A just cause for equalization within the nation has certainly been made out on more than one occasion and it is submitted that the Maritime Freight Rates Act is a most appropriate form of relief. Yet the Province of Saskatchewan and the neighbouring Prairie Provinces have also laboured under disadvantages, probably more onerous. Certainly the findings of the Royal Commission on Dominion-Provincial Relations (1940) indicate a need of equalization at least equal to that of any of the three Maritime provinces.

Incidentally, my Lord, by "equalization" there I mean a general equalization rather than an equalization by freight rates. Where I refer to "equalization" since there has been a lot of talk about equalization, I thought I had better clear it up. I would not accuse the Rowell-Sirois Commission of having talked about freight rates in that respect.

The Maritime and Prairie regions have both suffered under the National Policy and we believe that the effects of that policy on the economy of Saskatchewan have been more disastrous than for any other province of Canada.

It is urged on behalf of this Province that an effective freight rate reduction, at least equal in degrees to that provided for in the Maritime Freight Rates Act, shall be made applicable to all freight shipments (other than those covered by the Crow's Nest Pass Agreement) leaving or entering the Prairie region. Just as in the Maritime region this will effect an equalization that is clearly justified. The benefit from such a reduction will go to all the people of the region, the people who now suffer as a result of national railway policies.

The Government of Saskatchewan wishes to emphasize that this relief is quite separate and distinct from the Crow's Nest Grain Rates. The statutory grain rates offer a powerful analogy as a partial compensation for the effects of national policies but these rates must be regarded as in a class by themselves and absolutely guaranteed by statute as established national policy. The present recommendation affecting all other commodities finds a closer analogy in the Maritime Freight Rates Act.

And then Part IV is really an elaboration of this particular point. It comes as the last part of the submission.

COMPENSATION THROUGH A NATIONAL TRANSPORTATION SUBSIDY

The approach of the Government of Saskatchewan to a solution of the problems under review by this Commission is founded on a broad concept of the part this Province has played and must continue to play in the national life of Canada. Thus in Part I of this Submission the historical background, the economic development, and the present position of Saskatchewan in the Canadian economy were carefully examined. Part II proceeded to an appraisal of the effect of some major national policies on the Saskatchewan economy and indicated the severity of the burdens which these measures have imposed on this region.

The overwhelming importance of railway transportation in the settlement and development of western Canada has been reviewed. In the scheme of Confederation railways became a condition of union, without which the subsequent history of British provinces on the North American continent would doubtless have been very different. Provision of railway transportation was inextricably associated with the birth and subsequent development of the new nation and Dominion railway policy has been in no small measure instrumental in determining the destiny of regions. The requirements of nationhood prescribed that railway lines should run entirely through Canadian territory. The national policy of a protective tariff barred ready access to United States markets and sources of supply and with the completion of the all-Canadian railway system the design was set for the east-west

flow of commerce in Canada. That tariff policies have borne heavily on western Canada can scarcely be denied. That railway policy was devised to render effective the objectives of the tariff policy has been demonstrated. It follows with complete logic that in devising the future national transportation policy railways should again be looked upon as the instrument perhaps best adapted to the removal of disadvantages under which the Prairie Provinces have long laboured.

The recommendations of the Government of Saskatchewan are enunciated in Part III above and fall under two principal headings: first, the more comprehensive and more effective control of transportation matters in the Dominion; and second, - and of paramount importance -- the implementation of measures to relieve this province of a vastly disproportionate share of the burden of maintaining the nation's transportation system.

Several avenues which offer indirect possibilities of some amelioration have been explored. These relate to improvements in the regulatory machinery and extension of its area of control, both in the matter of rates and in facilities and services. Implicit also in the suggestions offered is the need for greater initiative by the Board of Transport Commissioners in the exercise of their functions.

Four particular aspects of the freight rate structure in Canada were examined in Part III above: (i) the principle of equalization of class rates; (ii) distributing rates and town tariffs; (iii) competitive rates; and, (iv) rates on the long haul.

On the basis of information presently available, Saskatchewan has expressed approval of a uniform basis of class rates and of uniform application of the principle embodied in town tariffs. Concerning competitive rates,

in addition to certain administrative recommendations, it has been pointed out that shippers in eastern competitive areas have substantial advantages. As to the long haul rates, reductions have been recommended to correct, to some extent, results of certain national policies and in some measure to compensate for inequalities in effective rates obtaining in the West as compared with more highly competitive areas.

The Province of Saskatchewan is fully aware that the implementation of any recommendations must take account of the fact that railways require a certain level of revenues to perform their functions efficiently. If substantially lower rates reduce rail income below the necessary level then clearly the required revenues must in some other way. Any measurable reduction obtained be obtained/by any one region would, under existing circumstances, soon be reflected in further general rate increases.

It is conceivable that insofar as equalization of class rates is concerned, desirable adjustments could be made without materially affecting railway revenues. The same is probably true of the proposed replacement of distributing rates by town tariffs. Any alleviation from these sources would, however, by the same token, be relatively slight. If relief were substantial the anomalous situation would occur whereby railway revenues would fall and a general increase in rates would be inevitable. This would defeat the purpose of the reductions and perpetuate, if not intensify, the present situation.

Saskatchewan has made its major recommendation in connection with rates on long hauls. Justification for drastic reductions in the burden of these rates has been advanced in Part III above.

The Government of Saskatchewan can, however, see

no way of achieving a measure of relief commensurate with the disability which has been imposed upon this region except by means of the application of public funds. Only through the use of the subsidy device can justice be accorded to the West while at the same time the railways are maintained as efficient operating units.

It has been demonstrated in this Submission that equity to the West demands drastic reductions in freight rates. Yet it seems clear that adequate redress cannot be granted by any conceivable adjustments within the confines of a practicable rate structure. This emphasizes the justification and the need for national funds being utilized to enable a truly national solution to be applied. With all the widely varied conditions to be found in Canada, the fact is that railway services are essential to all its people. Thus the importance of the Canadian railway system to the life of the nation demands that no one region be called upon to bear an unduly heavy and disproportionate share of the burden of its maintenance. Simple equity furnishes ample justification for the application of the national subsidy device as an instrument for the achievement of the rate reductions recommended by this Province.

In considering the form which a subsidy may take the distinction should be kept in mind between the device employed under the Maritime Freight Rates Act and a payment made to remove a deficit resulting from rate reductions. The former is very simple and results in no change in the balance sheet of the railway. The latter will depend on the accounts of the railway and may fluctuate from year to year. It is probable that both devices will be necessary if the recommendations made in this Submission are adopted. The objectives sought to be realized are two-fold; first, to secure an equitable rate structure, largely through drastic ^{rate} reductions; second, to insure that the equitable relationship shall be maintained. It is of fun-

damental importance that the comparative burden on the prairie region shall not be increased by gradual changes in the rate structure once an equitable situation has been created.

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MR. MacPHERSON: Now, Dr. Britnell, respecting the statement which you made in that paragraph that both devices there be adopted, I intended to ask you some questions as to a further explanation that you will go on with and for the purposes of the Commission, as well as my learned friends, we have that reduced to writing and we will distribute it now and I think my friends have all had it so that there will not be necessity of reading the transcript in the morning to see what it is. Will you make this statement?

A: Yes. At this point, I should like to insert two or three paragraphs by way of clarifying and further defining the proposals of the province with reference to subsidies.

First, as to what may be called deficit subsidies, that is payments from the public treasury to the end that the railway may continue to provide satisfactory services despite inadequate operating revenue. In this connection two statements should be made:

- (1) There is definitely no thought of freezing rates after equalization has been achieved thus putting the railways in the happy position of knowing that the budget will be balanced from the public treasury in any event;
- (2) no subsidy of this type will be necessarily involved if the railways have progressive management and a proper supervision is exercised by the Board. The position of the Province is this: granting that substantial equalization is achieved then if as a result of rate reductions in other areas there is a deficiency of railway earnings, the situation should not be corrected by higher rates in Western Canada, and other vulnerable areas. Under such circumstances a subsidy should be resorted to.

Subject to this, normal rate fixing should proceed, under the supervision and guidance of the Board. Indeed both rate changes and such a deficit subsidy will be under supervision of the Board, strengthened it is expected, as suggested in an earlier portion of this submission.

Now as to the other type of subsidy modelled on the Maritime Freight Rates Act, the proposal of the Province is specifically as follows: That the subsidy be in the form of a deduction from all freight bills on all rail freight traffic movements within the boundaries of the Provinces of Manitoba, Saskatchewan and Alberta, on all rail freight and lake and rail movements within Canada originating in these Provinces to point of destination in other Provinces and on all rail and lake and rail freight movements within Canada terminating in these provinces, from points of origin in other provinces, excepting grain and grain products moving at Crow's Nest rates.

This proposal, it is submitted, is in close analogy with the Maritime Freight Rates Act. It is also designed to correct the impact of national policies by extending the reductions throughout the entire length of the long haul on both incoming and outgoing freight. The proposal ought more properly to be described as a compensation rather than a subsidy. This proposal essentially involves a percentage reduction on all freight bills enumerated above.

It is further proposed that the details of this device shall be under the administration of the Board pursuant to a general Act of the Parliament of Canada.

COMMISSIONER ANGUS: Do you mean that the percentage would be assessed by the Board or the same as the Maritime Freight Rates Act?

A: No, that would be assessed by the Government and not the Board, by statute just as in the case of the Maritime Freight Rates Act.

Q: On the same percentage?

A: Well, we would consider that the same percentage would be appropriate. If the Commission thought that was not enough - - -

That a national subsidy is an appropriate instrument to make such rate reductions possible may be further demonstrated on several specific grounds:

(a) It is a principle of legislation under which railway freight rates are fixed in Canada that these rates must be just and reasonable. Yet the interpretation placed on this provision by the Board of Transport Commissioners has resulted in different rates being charged for the same service in different areas and, further, neither the Railway Act nor the jurisprudence built up by the Board has, or probably can, alter the fact that national policy and the nature of our economy have fastened upon western Canada a disproportionate share of the costs of the national transportation system. This Submission envisages a broader and more basic concept of equality in which those costs will be equitably distributed among all Canadians. Only through the subsidy device can this be achieved.

(b) During the hearings before the Commission there has been a tendency on the part of the railways to explain and to excuse the high freight burden of the prairies as being merely the natural outcome of geophaphical situation. This, however, is not the whole story, for in the case of the Province of Saskatchewan, national policies have tended to force trade into artificial

channels and have compelled the people of the Province to pay freight on Canadian railways running east and west.

As an instance of a national policy operating against the interests of this Province reference has been made to the customs tariff. The customs tariff probably bears more heavily on Saskatchewan than upon any other province in the Dominion. The nature of our economy, essentially agricultural in character with comparatively little development of secondary industries, makes this inevitable. Further, the effect of the national protective tariff, whatever its merits or demerits from a national standpoint, is to force the people of Saskatchewan to use a large volume of manufactured goods transported over Canadian transcontinental railways. The cost is a heavy one. In the light of the historical facts it is submitted that partial compensation, at least, through a national policy of transportation subsidies would be both appropriate and just.

(c) The enquiry conducted by the Royal Commission on Dominion-provincial Relations, 1937-39, indicated that the weakness of certain sections of the Canadian federation make for an unstable national economy. The report of the Commission also indicated that the economy of Saskatchewan, characterized by intensive specialization in the production of an export staple and subject to two major uncontrollable factors--climatic hazards and world marketing conditions is in a particularly vulnerable position.

The problems of an unstable national economy should not be aggravated by the imposition of special burdens on the weaker parts if there is any alternative. The alternative is to be found in reduction of the burden of

freight rates through the device of a national subsidy.

(d) The railways of Canada were conceived as national undertakings and should be so regarded today. This is right and proper, for the railways occupy a position of strategic importance both in the normal economic life of the country and in periods of national crisis.

The fact that all the people of Canada need and use railways emphasizes a problem which only a national subsidy can remove without injustice to some areas.

Two great wars in the last generation have shown that the railways are an integral and indispensable part of our defence establishment. Their revenues must be sufficient to maintain them at the level of efficiency required by the national interest and it is only just that the burden should be borne by the whole nation. A national subsidy is a fair way of distributing the burden.

(Page 10089 follows)

(e) It is suggested for the consideration of the Commission that there is a precedent for the payment of a national subsidy to the railways in the subsidy at present being paid for the benefit of the Maritime Provinces. The subsidy now proposed would, in essence, be for the benefit of all areas and therefore may be regarded as a truly national subsidy.

I would like to amend that to the plural --
"The two subsidies now proposed would, in essence"

THE CHAIRMAN: You say "the two subsidies"?

A. Yes, there might be some confusion here between the so-called deficit subsidy of transportation operations and this measure of relief or extension of the Maritime Freight Rates Act which we envisage as the major part of our recommendation.

(f) In addition to the merit of correcting obvious injustices, the subsidy device would offer two further advantages in (1) that a government subsidy would be subject to periodic review as to the needs of the railways for such payments.

Again, I am afraid there is a certain ambiguity there. What we are referring to there is the deficit subsidy. There would be no review, no necessary periodic review.

THE CHAIRMAN: To the compensation?

A. It does not apply to the compensation subsidy. I am afraid we were a little tired when we wrote this, and it is a little ambiguous. It refers definitely to deficit subsidy and not to the extension of the Maritime Freight Rates Act.

Secondly, that government supervision would ensure that the transportation system would be maintained at a high level of efficiency to meet national crises.

(g) (This again refers to both types of subsidy) The national government could raise the funds necessary for a transportation subsidy either by taxation ----

THE CHAIRMAN: You mean both subsidies?

A. I should say both subsidies here. This is merely a fiscal device.

Q. "Both transportation subsidies" might be the proper correction.

A. (g) The national government could raise the funds necessary for both transportation subsidies either by taxation or by loans, depending upon whether at a particular time its monetary policy was directed towards the curbing of inflationary tendencies or towards warding off deflationary threats to the economic life of the country.

MR. MacPHERSON: That completes the Brief?

A. That completes the submission, sir.

THE CHAIRMAN: I expect you are tired.

A. Well, I am still all right, thank you, sir.

MR. MacPHERSON: My lord, I wonder if during cross-examination the witness might sit down?

THE CHAIRMAN: Oh, yes. Mr. Covert, do you wish to say something?

MR. COVERT: I just wanted to say that I have consulted with the five provincial counsel that are present, and British Columbia, Prince Edward Island and the Province of Nova Scotia, and they have no questions, so Mr. Carson is proceeding on behalf of the C.P.R. first.

CROSS-EXAMINATION BY MR. CARSON

Q. Dr. Britnell, in answer to some questions that were put by the Chairman a few minutes ago, I understood you to suggest that the effect of competitive rates in your view, is that the West is subsidizing the East.

THE CHAIRMAN: Mr. Carson, speak a little louder.

MR. CARSON: I am sorry, my lord. I understood the witness to suggest in answer to a question put by your Lordship to him a few minutes ago, that the effect of competitive rates in his opinion was that the West was subsidizing the East.

A. I think that is correct, sir.

Q. Now, would you suggest that that is true if the competitive rates are compensatory?

A. Well, I am not quite certain what you have in mind by compensatory.

Q. Well, if they are paying out of pocket costs and making some contribution to constant costs.

A. If they are making an appropriate or if they are making the average contribution to total cost, including in total cost all of those fixed charges which I mentioned, then I would say they were not a burden on the West.

Q. Suppose we don't put it quite as high as that. Suppose they are making some contribution to constant costs rather than putting it as high as the average that you suggest. Then what?

A. Well, obviously I would say it is necessary for the balance of the railway system to provide the rest of the funds necessary to cover all the remaining costs.

Q. Then suppose those rates were withdrawn, those

rates that were not meeting that average that you suggest. What would be the alternative then?

A. Well, that is, I think, not suggested, that these rates should be withdrawn. In fact I think our entire brief states very clearly that we envisage that it is impossible to withdraw competitive rates, that they are a necessary part of your system, that there must be flexibility left to the railways - properly guided by the Board of Transport Commissioners - to put in competitive rates.

Q. At any rate in the case of rates that were withdrawn, if they were withdrawn, and if they were making some contribution to constant costs, even though a very small contribution, the result of the withdrawal of the rates would necessarily be that remaining rates would have to bear that proportion of constant costs.

A. Exactly.

Q. So that it is perhaps not quite accurate to say that in respect of rates that are either meeting out of pocket expenses or making some contribution, even though small, to out of pocket costs, that the West is subsidizing the East.

A. Well, I still think that that part of the statement is untouched. It is simply that we do ----

THE CHAIRMAN: Speak a little louder please.

A. I do not think that part of the statement is necessarily touched, because the rest of the country obviously still has to find the money.

MR. CARSON: Yes. Now then, on page 7 of your brief the statement is made that the competition ----

MR. MacPHERSON: That is the printed brief.

MR. CARSON: I will refer to the printed brief, if I may.

THE WITNESS: I think I can find them as a rule.

MR. CARSON: I think the Commission has the printed brief. Am I right on that?

THE CHAIRMAN: Yes.

MR. CARSON: You see the passage, Dr. Britnell, where you say that the competition of ocean and lake carriers which offsets to some extent the locational disadvantages of other parts of Canada, is of little relative benefit to Saskatchewan.

A. Yes.

Q. Now, you would agree with me, would you not, that Saskatchewan gets the benefit of the effect of water competition on all rates, on all traffic moving from east to west and west to east.

A. Yes, I think that is correct.

Q. Then, on the same page, the brief states that the Province is lacking in certain important resources which contribute to economic diversification. Have you in mind the particular important resources that you would suggest are lacking there?

A. Well, we have no iron, for instance, and so far the oil is a little to the west of us, unfortunately. The best coal is also to the west of us, some distance. There are many natural resources of that nature. We have coal but, as you will recall, it is of a very low B.T.U. content. We have, of course, no hydro-electric power worth mentioning. Those are very important bases, coal and iron and hydro-electric power, and make for diversification on a large scale.

Q. If you had all those things, you would not be in a land of milk and honey, would you?

A. Well, we would still have the freight rates.

Q. I was just going to ask you about that, because you say in the same page that it may be stated with some definiteness that the payment of high freight charges has impeded diversification.

A. Yes.

Q. And you say the lack of those important resources has been a major factor impeding diversification. You would not disagree --

A. Well, on the scale of the St. Lawrence Valley, but we are much more modest. I mentioned specifically all our problems with respect to our struggling sodium sulphate industry.

Q. I am not asking you about that.

A. Clay and all sorts of things that could be developed there.

(PAGE 10095 FOLLOWS)

Q: Now, the lack of markets close at hand to Saskatchewan has been a major factor in impeding diversification.

A: It has been one of the factors particularly when, of course, it is coupled with higher freight rates for getting this stuff out.

Q: Supposing we don't get the high freight rates in every answer. We will just try and deal with your statement?

A: Well, sir, it is a little difficult. When it comes to a matter of markets, it is an important factor.

Q: Well, I am saying the lack of markets close at hand is a major factor.

A: It could not be an insuperable factor if we had water and canal facilities.

Q: I am suggesting it is a major factor. Do you agree or disagree?

A: It has been an important factor.

Q: All right. Now, those two things, that is, the absence of important resources, certain important resources, and the lack of close at hand markets, taken together have actually impeded diversification to a very considerable extent?

A: By the standards of the St. Lawrence Valley, yes - that is, we could still have had a very substantial measure of diversification.

Q: Now, if you had markets that were close at hand, I suppose you would agree that high freight rates would impede competitors coming into your markets?

A: If our advantages were that great, yes.

Q: And you could only have a much broader market close at hand with some of these other resources necessarily because those other resources would

naturally result in additional employment and a greater population?

A: Yes, of course there I think it is necessary to qualify that to the extent that if you had diversification you would have a larger population and therefore a larger market but you would not be confined to two and a half million people as we are at present.

THE CHAIRMAN: You say two and a half million?

A: That is for the prairie economy. 861,000 is the estimate for 1948.

Q: You are not including Alberta in that? You have been talking about an area that has very little oil, for instance, and very little coal. That meant Saskatchewan?

A: Yes.

Q: That means 840,000 people?

A: Yes, but I am presuming that as far as the market is concerned, sir, that Alberta would let us sell to them and Manitoba also where transportation would not be a very large factor. That is in terms of a market.

Q: What would you sell them then?

A: Those things which we would manufacture.

Q: If you had the population?

A: I doubt it sir.

MR. CARSON: Now, Dr. Britnell, on Page 9 of the printed brief about two-thirds down, you say:

"Thus the movement of goods by motor carrier is restricted and the bulk of all traffic must move by rail at rates virtually unaffected by truck competition."

Now, there would be no dispute about it in so far

as you would have traffic that is capable of being carried by truck, you have the advantage of the truck competitive rates?

A: Yes. Of course, our highways and conditions generally which I went into today -

Q: I am not quarrelling with you on that.

A: Those facts militate against any effective truck competitive rates.

Q: Well, I was giving credit for that when I said as long as you have traffic capable of being carried by trucks, that is if trucks are available and roads are good and climatic conditions, so far as those conditions still exist and you have traffic capable of being carried by truck, then you have the advantage of competitive rates from the railways?

A: Well, those do not leave very much.

Q: I am not on question of quantity. I want to stay on matters of principle. You have another advantage which I understand is not available in Eastern Canada and that is, up to 400 miles lcl truck competitive rates or traffic can move as express. Do you know about that?

A: Well, I have heard it; I am not absolutely certain.

Q: You have not looked into it?

A: I have looked into it but I cannot confirm it offhand.

Q: I am instructed you can ship such traffic up to 400 miles by express lcl freight, truck competitive rates. Now, at Pages 11 and 12 of your brief (and I don't know that you need turn this up because I think I can remind you of what you said) you are suggesting

there that national policy conditioned the statement of Saskatchewan and you quote an/^{opinion} from the Rowell-Sirois Report where it speaks of "The National purpose of rapid and unhampered settlement"?

A: Yes.

Q: Now, do I gather from that that your view is that the settlement of Saskatchewan lands under the control of the Government of Saskatchewan - if it had been under the control of the Provincial Government, would have been better and more in the interests of Saskatchewan?

A: Well that is pure conjecture as I did not imply that at any stage.

Q: You do not intend to suggest it?

A: No.

MR. MacPHERSON: I think, my Lord, it might be well for the matter of the record to say it was not until 1930 that the lands or natural resources were transferred by the dominion to the Province and then there was compensation for alienation which was determined by a Commission.

MR. CARSON: Then you did not intend to suggest what I thought was implied?

A: I don't think I did.

Q: Then also on the same page, the brief states that Saskatchewan offers many geographical advantages to railway construction and maintenance and goes on to submit that the benefits of such advantages are not reflected in the freight rates that Saskatchewan pay and you draw attention to the suggestion that there are no serious terminal problems in Saskatchewan?

A: Yes.

Q: You would agree with me, wouldn't you Doctor,

that the terminals at Winnipeg and other eastern points through which traffic originating in Saskatchewan moves are necessary to Saskatchewan?

A: Yes.

Q: That is in respect of traffic that moves from Saskatchewan to and through those terminals?

A: Yes.

Q: Then, at Page 11 of the brief, about the middle of the page, you say this:

"Thus the fundamental prerequisites both for the initial development and for the survival of the prairie economy are an effective world demand for wheat, rail transportation facilities, and low freight rates."

Now, you recognize, of course, that freight rates are only one element in the cost of producing and marketing wheat?

A: Oh yes.

Q: And the cost of the land in the first place is the original investment of the farmer, isn't it, when he acquires the land.

A: Well, that may or may not be; that depends on how he acquired it and under what conditions. It may be a very small part of the total.

Q: At any rate, if he got it through homesteading, as a great many of them did, the cost of the land today has gone up to a very marked degree in the case of the person who homesteaded?

A: It is not any more than the amount of the improvements in terms of what the economist regards as an economic rent. There probably isn't; it does not exist over most of Western Canada.

(At 4:45 p.m. the Commission adjourned to meet again tomorrow morning, Friday, November 25th, 1949, at 10:30 a.m.)

A.R.

Canada

ROYAL COMMISSION
ON
TRANSPORTATION

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ROYAL COMMISSION ON TRANSPORTATION

OTTAWA, ONTARIO,
FRIDAY,
NOVEMBER 25th, 1949.

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HENRY FORBES ANGUS - - COMMISSIONER

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Transportation Commission of
the Maritime Board of Trade.

J.Paul Barry) Province of New Brunswick

F.R.Hume) Canadian Automotive Trans-
M.L.Rapoport) portation Association

R.Kerr) Board of Transport Commissioners

W.E.Darby, K.C.) Province of Prince Edward Island.

OTTAWA, ONTARIO
FRIDAY, NOVEMBER 25, 1949

MORNING SESSION

DR. G. E. BRITNELL RECALLED

CROSS EXAMINATION BY MR. CARSON RESUMED

Q. Dr. Britnell, there are several elements in the cost of producing and marketing wheat, are there not?

A. Yes, sir.

Q. Can you tell me what ones you have in mind?

A. There are all the farmer's outlays for his implements, for all his equipment perhaps rather than implements; his fuel cost for his tractor and his power machinery; the taxes on his land and, of course, freight rates.

Q. Yes?

A. Those would make up the larger items at least.

Q. Labour?

A. I beg your pardon, yes, labour. I am sorry. I knew there was one there I had not mentioned.

Q. Seed?

A. Well, the seed he almost invariably produces himself of course. It is not an out of pocket expense.

Q. He may purchase some seed?

A. He may, yes, pure seed of course.

Q. Is there any element, any single element, constituting those costs, that has not increased substantially in the last fifty years except freight rates?

A. Yes, for instance the price of gasoline has gone down over the last generation quite considerably.

Q. Fifty years ago he was not using gasoline.

A. Well, fifty years ago, yes. As long as he has been using it from the beginning, forty years ago at least when he was using it, it was much higher. After all there were not many tractors fifty years ago.

Q. And he was not using much gasoline forty years ago as compared with today.

A. Not compared with today.

THE CHAIRMAN: Much what?

A. Much gasoline. Of course I might point out in that connection that his costs of harvesting through the introduction of the combine have gone down very materially?

Q. Yes, that is the cost of harvesting by machine, as compared with harvesting by labour.

A. Yes, by the use of the combine and the thresher. Another element that has gone down greatly is that any tractor which he uses is now very much cheaper and very much more efficient than it was fifty years ago.

Q. So that these things you have now been mentioning have now resulted in a substantial saving to him?

A. They would have if some other costs had not increased and if the market relationship had not changed. The market relationship is of course the significant factor there.

Q. But you would agree that the use of the machinery and equipment that you have mentioned has resulted in a substantial saving?

A. It has cheapened his cost of production, Mr. Carson. It does not necessarily mean that he has as much left after he has sold it as he had fifty years ago. In fact I am quite confident that year in and year out over

the last ten or twelve years even he is not in as good a position as he was at the beginning of this century under the conditions outlined yesterday or the day before in the quotations from the Rowell-Sirois Report covering the period of the opening of the prairie.

Q: You have not yourself made any analytical study of these matters?

A: Well, the Rowell-Sirois experts (and I might modestly say I was one) did manage to go into a good many of those very fully, and very extensively.

Q: At any rate, Doctor, we have it that his labour has increased substantially?

A: Yes.

Q: I gather that in your evidence now you are putting on one side items that have increased substantially and on the other side you are putting considerations such as the introduction of machinery that have resulted in a lessening of cost.

A: Yes, I think your question was: Have any other items than freight gone down and quite a number of them have, yet freight has not gone down.

Q: At any rate, as far as labour is concerned, that has increased substantially.

A: Oh, yes.

Q: So far as buying these particular machines today as compared with buying those machines ten or twelve years ago, it has gone up substantially in cost?

A: As against ten or twelve years ago rather than, fifty, yes.

THE CHAIRMAN: As to labour, you did say the cost of labour has increased?

A: Yes.

Q. That is individually?

A. Yes.

Q. Is not there a great decrease in the quantity of labour?

A. Yes, that is true, the number of hired labourers on farms today --.

Q. Is much less?

A. Is much less, so that the total labour cost is a very much smaller element ^{in the} farmer's cost of production. then it was forty years ago or even ten or twelve years ago.

Q. And of course he has capital invested in this machinery and equipment that is to replace labour.

A. It is only partially of course, because there has been an increase in technological efficiency, such as you have on the railways.

Q. Yes, and, of course, knowing as you do, that these Crows Nest Pass rates were suspended in 1918 - 1922, during that period at any rate those fixed rates were unfixed for a period.

A. Yes.

Q. And were allowed to bear their share of such increased costs as followed the First World War.

A. I know that they were increased.

Q. And that would be the result of the increase, they would bear some share of the increased cost that followed that war.

A. If it were necessary for them to bear any part of it.

Q. Then you drew the attention of the Commission to prices on page 22 of your Brief, the printed Brief.

A. Yes.

Q. And I think you told me that these were the average of prices received less freight.

A. Less elevator handling charges, inspection, commissions for selling and miscellaneous charges of that sort.

Q. Yes, take the 1948 price of \$1.55, does that price cover the final settlement given by the Wheat Board to the farmer?

A. To date.

Q. He may receive more?

A. He may. I would not like to gamble that he is likely to receive much more.

Q. You don't know to date?

A. No.

Q. What about 1947 price, does that represent the final settlement made by the Wheat Board?

A. Yes, that is to date. The same is true of all the prices for four years back. They all go into Mr. Gardner's Pool.

Q. Back to and including 1945 or 1946?

A. Back to and including 1945.

Q. Then you said that the Pool price at Fort William would be higher by approximately twenty cents than the prices shown on your table.

A. Yes, approximately. That depends of course on the shipping point in this case.

Q. On the shipping point?

A. Yes.

Q. But twenty cents would be the price from where?

A. The average price, shall we say, Rosetown which is fairly close to the centre of Saskatchewan.

Q. Yes, then can you tell the Commission what the price was that was received at Fort William, say, in 1948?

A. Yes, \$1.75.

THE CHAIRMAN: For No. 1 Northern.

A. For No. 1 Northern, yes.

MR. CARSON: The price for 1947?

A. \$1.75.

Q. In 1946?

A. \$1.75.

Q. In 1945?

A. \$1.75.

Q. It has been the same for the last four years?

A. Yes, I should point out that it was not at the time of delivery. It has been made up by instalments under the Participation Certificates issued by the Wheat Board, so that the end result is \$1.75 on the basis of No. 1 Northern at Fort William. I might say that those prices - that accounts for the variation between 1945 1946 and 1947 of \$1.56 and \$1.54 and \$1.55; it represents the average price for all grades of wheat, and the higher the price shown there, the higher the quality of the wheat, in that particular order - the larger amounts in grades 1 and 2 and the smaller amounts in the "below contract" rates.

Q. Could you tell the Commission what price was paid in England in these years?

A. No I can't because the British Agreement price is based on \$2.00 a bushel at Fort William.

Q. Where does the difference between \$1.75 and \$2.00 go.

A. That goes into the Pool, but the price under the British Contract is only upon \$2.00 for ^{the} years 1948 and 1949. Previous to that it was \$1.60.

Q. So that he is getting a much better price than before 1948 and 1949?

A. The Government is; but the Government is paying the same price average.

THE CHAIRMAN: Q. The price was \$1.60 for 1945 and 1946?

A. Yes, if my memory serves me correctly.

Q. What about 1947?

A. Yes, also.

Q. And 1948 and 1949?

A. It was \$2.00. I think I am right about that. I would have to check up.

MR. CARSON: Q. Before it is determined how much more will be distributed to the farmer, what has to be done.?

A. The balance of this year's crop has to be sold; not only that part going to the British Contract but the portion of the crop which is sold under the International Wheat Agreement countries other than Great Britain, and also the portion of the crop that is not sold under the British Wheat Agreement and the International Wheat Agreement.

Q. What is the ^{floor} price in the International Agreement?

A. It varies from year to year.

Q. Let us take the last four years we are speaking of, 1945, 1946, 1947, 1948, and 1949?

A. There was no International Wheat agreement then.

Q. 1949?

A. The floor price for this year is \$1.50.

. And the ceiling?

A. \$1.80, United States funds.

Q. Then I take it that the Wheat Board takes out of the money received their cost of operation?

A. Yes.

. How long have they been in existence?

A. Since 1935.

Q. And have their costs of operation increased?

A. I don't think they have indicated in any of their published statements what their costs have been

Q. You would assume that they have increased since 1935

A. Yes, wages of clerical labour has gone up. They may not have on a per bushel basis, because the Wheat Board has had since 1945 a complete monopoly of the Canadian crop whereas in the ten years previous to that, they were an optional marketing agency.

Q. At any rate to the extent to which their costs of operation have gone up that has to come out of the money that is paid to the farmer?

A. Yes.

Q. What have you to say about the price of \$1.55 in 1920 as compared with the price in 1948 which seems to be the same price, according to your table?

A. I am afraid you will have to give me a further clue as to what you want information for.

Q. Dr.Britnell, is the price comparable really until you know what the final price is?

A. No, but there is a spread of almost a full generation between them in which the technology changes to western ^{were} economy/often so great as to almost vitiate that in comparison with what he has made.

Q. You say he might be better off with the price of \$1.55 today than the price of \$1.55 in 1920?

A.Yes, or alternatively they may not be as well off. I think he is a little better off today than he was in 1921.

Q. Certainly in the year 1920 the freight rate on wheat compared with 20 cents was about 32 cents?

A. I will take your calculation for that, sir.

Q. I put that approximately.

A. Yes,.

Q. That would be 35% higher than the rate today?

A. It would be on that basis.

THE CHAIRMAN: Did you say, Mr. Carson, that the rate was 25% higher than?

MR. CARSON: About 35% higher, my lord. That was in 1920 my lord. I was taking 1920 where Table X shows \$1.25.

MR. MacPHERSON: That would be a little higher.

MR. CARSON: I took it on a conservative basis.

Q. On page 36 of your printed brief, you have a table that shows the prices of cattle of different grades at Winnipeg. Then you took the animals for the same weight and you took a good steer, a medium steer, and a medium cow?

A. Yes.

Q. And so far as freight rates enter into the calculation they are based on movement from Maple Creek to Winnipeg, Manitoba, and Toronto?

A. Yes.

Q. And I think I am right that the 1948 calculation is made on the basis of the rate in effect after the 21 per cent. increase came into force.

A. Yes, I believe that is true.

Q. So, taking a good steer, the percentage of value put on from charges after the 21 per cent. came into effect has been the lowest in the last 18 years?

A. Yes, I think so.

Q. And the same would apply to the medium steer and the medium cow, the percentage in value paid in freight charges is the lowest in years.

A. Yes; I might mention we had seventeen years of depression so far as cattle are concerned.

Q. I recall your evidence on that but I wanted to be sure that I interpreted the Table correctly?

A. Yes.

Q. On page 40 of your printed brief dealing with the dairy industry, about ten lines from the bottom of the page - - - ?

A. Pages 47 and 48.

Q. You say there that there are only a few small local cheese factories and condensed milk factories which require importing, mainly from eastern Canada, their requirements of cheese and condensed milk even though this province produces a large surplus of the raw product.

What about condensed milk; is that imported mainly from eastern Canada?

A. Some of it may come from the Carnation - no, from some co-operative - maybe, I better not say what kind of a factory it is - a plant at Red Deer, Alberta. Some of it will be imported from Vancouver.

Q. I was wondering if that was accurate as applied to condensed milk?

A. We should have said that a small amount of that comes from Alberta and the other part from Vancouver.

Q. It would be a wrong thing to say that condensed milk is actually brought from eastern Canada.

A. Yes; cheese is what we were thinking of.

Q. I think it is a little ambiguous.

A. I think we condensed the argument too much.

Q. I want to have it clear that as far as condensed milk is concerned you do not say it comes largely from eastern Canada?

A. No.

Q. You get a set rate on your condensed milk from Red Deer.

A. I do not know that; I have not looked at the schedule there. Certainly, the plant at Red Deer could not supply all of Saskatchewan as well as Alberta.

Q. You have that source of supply?

A. Yes.

(pag 10120 follows)

Q. Then, at page 45 of the print, you are dealing with the poultry industry and you say about two-thirds of the way down the page, comparing different areas of Eastern and Western Canada that this leaves a very large area of production from which eggs and poultry must be shipped long distances whereas in Eastern Canada, particularly Ontario and Quebec, most producers are within a radius of a few miles from the large consuming centres. Do you suggest, so far as the poultry industry is concerned, that all of the advantages lie with the East and none with the West?

A. That would be an unlikely situation although offhand I can't think of any particular advantage, apart from the fact that we have more sunshine.

Q. Well, let us take sunshine for an advantage.

A. That is an advantage to young chicks.

Q. What about the case of your lands for ranges? Is it any less in Saskatchewan than in the East?

A. Well, the amount of land required for chickens is so trifling.

Q. Trifling as it is it would be a benefit?

A. It would be an infinitesimal part.

Q. Well, infinitesimal as it is, it is a point?

A. Yes, it is.

Q. Don't be too grudging with me, doctor. If I get a small point in my favour just come along with me. The feeds are cheaper out there aren't they?

A. Yes, some are cheaper only it is pretty well equalized by the new freight establishment of the Dominion Government with the heavy subsidy on feeds moving into Eastern Canada. On the other hand, we have to import fish meal and various other elements that go into chicken production and into the best laying hens for very considerable dis-

Q. I just wanted to see if there are not some advantages you have?

A. Yes, I mentioned the sunshine.

MR. FRAWLEY: The sunshine drifts over from Alberta.

MR. CARSON: Now that Mr. Frawley's voice is heard, you have an advantage over Alberta in supplying Winnipeg?

A. Yes, but Winnipeg is not big enough; we would like to supply Edmonton.

Q. What about St. Paul and Minneapolis?

A. Well, of course, freight rates become extremely burdensome.

Q. Keep that out of your assuming as much as possible. Now then, at page 61 of your print, 77 of the mimeograph, you say there that the burden of freight rates bears more heavily upon Saskatchewan economy than upon any other part of Canada. Do you see that?

A. Yes.

Q. I am going to give you lots of scope on this question, doctor. I would take it from what you say there that your view is that that burden is bearing more heavily upon Saskatchewan economy than upon the Alberta economy?

A. Well, that is our opinion.

Q. Now, would you elaborate on that a bit?

A. Yes. For instance, we have just given the example of butter a few pages before in which Alberta butter has the advantage to a deficiency market on the West Coast. That is a considerable advantage to Alberta in that important product. Then, for instance, with respect to wheat, the dividing line, the peak of the freight shed, comes in the Province of Saskatchewan. The advantage of Alberta in all the minor products is the rapidly increasing population of British Columbia and the urban centres there. With respect to food supplies they are in an admirable position to

supply that market. We have to ship several hundred miles further. That is what we have in mind there.

Q. Anything else between you and Alberta? I take it those you mentioned are very distinct advantages in favour of Alberta?

A. Yes, I would think they are very considerable.

Q. Now, anything else?

A. I can't think of anything else offhand. Oh yes, of course, with respect to oil, they are closer to the Pacific Coast and to fueling at least the Canadian National Railways through the mountains.

Q. Certainly they are much richer in coal than you are?

A. So far, yes. I don't want to sell Saskatchewan short.

Q. And Alberta you would regard as a much more prosperous province?

A. At the present time yes. I am afraid that is undeniable, that Alberta is much more prosperous than Saskatchewan.

Q. So you would say that the apex we have been hearing so much about in the last three years, lies in Saskatchewan rather than Alberta?

A. I realize that Mr. Frawley almost has a copy-right on that term -

Q. I was thinking you were infringing it?

A. Yes.

Q. Quite seriously you think the apex is in Saskatchewan?

A. Quite seriously, yes. If I might elaborate that a bit more. For instance, they manufacture their own sugar from their own sugar beets and we have to buy the Alberta sugar and there is the freight rate coming into Saskatchewan. The same is true with canned vegetables. They have a very

good and a big canned vegetable industry in the south of their province at Tabor and places around there. Again, if we bring those products into Saskatchewan, there is the freight rate to be added. We think we are at the apex.

Q. What about coal?

A. Coal is also another case in point. We use their Dru heller coal for domestic heating and their steam coal for other purposes. We try to sell ou lignite coal in Winnipeg because that happens to be a close market for it but, as you know, the B.T.U. content is very low.

Q. What about natural gas?

A. I have them all down here. Natural gas is also a factor in certain very considerable areas such as the Edmonton, Calgary and Medicine Hat areas.

Q. Have you considered that they have some advantage over you in respect of truck competition?

A. Yes, they have better highways. They have built one hard-surfaced highways than we have been able to afford and their present programme is a very ambitious one, ambitious in terms of the revenue.

Q. What about climate? Do you draw any distinction as to climate or sunshine?

A. They have a little in the south; they have the advantage of the chinooks and Calgary has quite an advantage over Saskatchewan.

MR. FRAWLEY: Don't forget the football team. We might as well have the whole catalogue.

MR. O'DONNELL: We will fix the football team tomorrow.

MR. CARSON: Taking the statement in your brief, I would take it to say that the burden of freight rates would bear heavily upon Saskatchewan economy than upon Maritime economy?

A. Yes, although it becomes rather more difficult to compare economies, of course, but they have the advantage in some cases at least of water competition and the bridge between Central Canada and the Maritimes, while it does exist, is nowhere near the length of the bridge between Eastern and Western Canada.

Q. Anything else that occurs to you? They are closer to Europe?

A. Yes, they are distinctly closer to Europe.

Q. And I take it from the tenor of your brief, that is a great advantage?

A. Well, it is not so great an advantage they have in view of the nature of their products as it is for us with wheat and livestock, to ship them into the international market.

Q. But that proximity to Europe has an advantage in your opinion?

A. Oh yes. I wish we were there.

Q. Then, do I take it in your view, this burden you speak about would bear more heavily upon your province than upon British Columbia?

A. Oh, I think so, definitely. They have the advantage of certain Panama-compelled rates - transcontinental rates. They have a somewhat broader base for diversification.

Q. I would think from your brief you would say "considerably broader base for diversification"?

A. Yes.

Q. Anything else?

A. Well, of course, we can't compete with them on climate and sunshine.

Q. Anything else?

A. I don't think of anything else offhand.

Q. What about Manitoba?

A. Well, of course, they have the advantage of being that much nearer to Central Canadian markets and their freight rates are proportionately (if you will allow me to interject freight rates there) they are that much closer for the goods which they ship out and significantly also, of course, for the goods which they bring in.

Q. And they have a greater development of industry there?

A. Yes, practically double Saskatchewan in manufacturing - that is, the proportion which they contribute to the Dominion total.

Q. Then, at page 72 of your brief you make certain references to the American railways?

A. Yes.

Q. And about two-thirds down the page at the end of the middle paragraph you say:

"As far as the Western Provinces are concerned, therefore, Canadian railways are being regarded as extensive alternatives to American railways rather than as alternatives to no railways at all".

Now, do you make the suggestion that if American railways served the Prairies instead of Canadian railways you would be better off?

A. Well, we were talking there of construction costs - in terms of construction. That has been the whole tenor of the argument there, that construction costs were very much greater on the Canadian railways and that construction of Canadian railways constituted a part of the national policy. And coming to the nub of your question (at least I hope it is the nub of it) you must take into account the fact that Canadian railways in taking virtually all of the Canadian traffic, push up

the costs for the United States roads and make it thinner for everyone. If that Canadian traffic moved over the American lines instead of the Canadian coming on top of the American traffic, it would make a very economical proposition.

Q. You have never made any study of that, have you doctor?

A. Not an exhaustive study, but I know substantially what moves over Canadian lines and remembering the large overhead costs of a railway, if you add that to traffic and provide a few more locomotives and other facilities, the same roadbed would do.

Q. And did something with the tariffs?

A. Yes, of course that is why we say it is tied in with national policy.

Q. Now you do not suggest, of course, that wheat would move at lower rates to Duluth than to Fort William?

A. We are not thinking so much of that traffic.

Q. Well, if you did think of that traffic, you would agree it would not move at lower rates?

A. Well now, that is assuming that American tariffs would be the same even if they handled the whole of the Canadian trade of the west which I do not think is an assumption that could reasonably be made since it would represent additional traffic which might have an effect on lowering very greatly the rates on American railways.

Q. You don't know how much it might lower them?

A. No, but I do know this; it would be highly unlikely they would remain the same as they are now.

Q. They would have to come down a long way to come down to the rate you are now getting to Fort William?

A. Yes.

Q. And you do not suggest that farm machinery would move at lower rates from Illinois and Indiana than from Brantford, Ontario?

A. Well, again if you assume that the tariffs on American railways would remain the same, but of course that is all tied in with the prospect that freight hauls from the Toronto-Brantford-Hamilton area on farm machinery are considerably longer than hauls from the Illinois farm machinery manufacturing firms.

Q. And the rates are lower for the long haul so far as you are concerned?

A. Per mile, yes.

Q. Per shipment?

A. As at present, yes, but I say I do not think that is a fair test with all deference.

Q. Well, I wanted to understand what the implications were in this brief. There are these considerations which I am putting to you?

A. Yes, but we are not suggesting you can do anything about that aspect of it because it is national policy. That is why we have to look for a remedy elsewhere.

Q. And you are not blaming the railways in any sense?

A. Oh no.

Q. At page 74 of your brief dealing with the matter of accounting practices you say, about two-thirds of the way down the page, "in view of experience in the recent rate case - "

THE CHAIRMAN: What page?

MR. CARSON: Page 74, my lord. The paragraph begins "The principle is rendered somewhat -" and then the next sentence is "In view of the experience in recent rate cases the Province takes the position that the Board

(and that is referring to the Board of Transport Commissioners)"?

A. Yes.

Q. "should assume responsibility for production of all data which may be relevant to the adequacy of rates and that special information required in rate cases by the respondents -". That is the Provinces?

A. Yes.

Q. "should be produced under direction of the Board and its technical advisers". I wanted to know if you are intending to suggest in that sentence if in the present rate cases the Board did not assume responsibility for production of data which might be relevant?

A. I do know that the respondents had very great difficulty in persuading the Board to obtain the data which they considered necessary for a proper examination of the case.

Q. And that data was mountainous data, as you recall?

A. Well, I am not an accountant; it did not look extensive to me as an economist.

Q. But you do not know what accounting labour is involved?

A. Well, I know accountants labour sometimes.

Q. On your side?

A. I was not thinking entirely of our side.

Q. You know that the Board did assume the responsibility of deciding these questions?

A. Yes.

Q. You do not intent to suggest that the Board in any way shirked its responsibility?

A. No, I hope there is no suggestion that they shirked it.

Q. You say "they should assume responsibility for production". They did assume it?

A. We would like, Mr. Carson, for them to assume responsibility for producing more than we were able to get in the rate cases.

Q. Then what you are suggesting, I gather, is that you think their decision might have been **wrong** on some question of production?

A. I certainly think their decision was wrong in the 31% Case.

Q. I was just asking what you meant. We will come to what you have in mind but that is what you suggest in that brief, that decisions they made in your view are wrong but you are not assuming they did not have the responsibility to make the decision?

A. No.

(PAGE 10130 FOLLOWS)

THE CHAIRMAN: To what extent did they refuse responsibility to order the production of the data?

A. They were extremely reluctant. Counsel could handle this better than I could.

Q. They did not say that they had no authority?

A. No.

MR. MacPHERSON: I think perhaps, my lord, I should say a word here. As I have said before in the course of this Commission, I don't think we should be re-trying either of these cases.

THE CHAIRMAN: That is quite right, but you see there is an assertion here that the Board should assume certain responsibilities. Well, Mr. Carson is inquiring now whether they have not always assumed those responsibilities.

MR. MacPHERSON: Yes, But the respondents in those cases asked for information. So far as the applicants are concerned, I think it is fair to say that there was, as far as my friends of the C.P.R., where concerned, there was resistance offered to the motions which from time to time were made by us.

MR. CARSON: Be accurate - to some things.

MR. MacPHERSON: Well, to some things.

MR. CARSON: We produced a great deal of data.

THE CHAIRMAN: Now, we are not talking of the C.P.R.'s attitude; we are talking of the Board's powers and responsibilities and how it carries them out.

MR. MacPHERSON: Will then, in some cases where we felt there was vital information that should be available to us, the Board did rule that that information should not be furnished which we felt should have been furnished and was absolutely essential.

I give an example to the Commission to indicate what I mean, in connection with the depreciation argument of which the Commission has heard something, between user and straight line. There was agreement as between the accountants to the effect that the user system depended entirely on the soundness of the base that was used.

MR. CARSON: No, on the reasonableness of the rates, on the propriety of the rates, that was what they agreed upon.

MR. MacPHERSON: I am not going into all the evidence now, but the base that was established, we sought to have produced, for instance, working papers indicating how those rates were arrived at, and Board ruled against us in that.

THE CHAIRMAN: Did the Board say they could not give you the order?

MR. MacPHERSON: No, they did not.

THE CHAIRMAN: Then they would assume responsibility for refusing?

MR. MacPHERSON: They would assume responsibility for refusing to let us have what we felt was essential.

THE CHAIRMAN: What does your brief mean when you say the Board should assume responsibility for production of data? Is that not exactly what they did?

MR. MacPHERSON: They did, my lord.

THE CHAIRMAN: The only alternative according to your meaning is that they should always grant your application.

MR. MacPHERSON: That is, when they should grant an application. Our complaint was of course that the Board was not properly seized of the importance of this

particular phase of the matter. I think later, as it developed, probably the Board regretted that it had not granted our first applicat 'in when the matter came out in argument, but in any event they had not and did not give us the right to get at what we regarded as most vital information.

Q. Then is the result of what you said in your Brief to be understood that the Act should be amended so as to give the Board greater responsibility?

MR. MacPHERSON: I do not think there is any necessity for amending the Act because I think that the Act as it stands gives the power to the Board.

THE CHAIRMAN: Now Mr. Carson, now that my friend mentions it and he takes the view that I take, that the Board certainly has the power, I should like to refer to Section 33 (3) of the Railway Act which says:

"The Board shall, as respects the attendants and examination of witness the production and inspection of documents, the enforcement of its orders, the entry on and inspection of property, and other matters necessary or proper for the due exercise of its jurisdiction, have all such powers, rights, and privileges as are vested in a superior court."

THE CHAIRMAN: What is the section?

MR. CARSON: Section 33 - sub-section (3), my lord. My friend has referred, or I think the only ruling I can recall about production in the 21 per cent. Case that did not give the provinces what they asked for, and I would like to read it. It is at page 3858. This is the Chief Commissioner speaking: --

Dr.Britnell Cr.ex

"We have considered the request, which is that Mr. Liddy file on behalf of the Canadian Pacific Railway Company his computation as to how he arrived at the depreciation basis of rates referred to. What we are more particularly concerned with is the result produced by the application of the rates of depreciation, rather than the computation as to how the rates were arrived at. That is, whether the depreciation produced is reasonable and fair depreciation or whether it is too high or too low.

We have the experience of five or more years from which to judge the result of the application of the specified depreciation rates. The result of the application of these rates can be compared with the application of the straight line method applied, we understand, by the Canadian National Railways and the Class I Railways in United States of America. We do not think that the computation as to how the Canadian Pacific Railway Company rates were arrived at would be helpful to the Board in this case in determining as to whether or not the rates of depreciation are reasonable.

We, of course, express at this time no opinion as to the merits of the user method of depreciation as compared with any other method or methods of depreciation. "

Then he refers to certain exhibits that are filed, and that was the effect of his ruling. What the Chief Commissioner was saying there was then: "We are not concerned with examining into old working papers and data that resulted in rate A. The important thing is to test whether rate A is fair and reasonable." I would just add to that I suggest it would not make any difference really if you did no more than put eight or ten cards in a hat and put different rates on each card and drew one out and said; "That will be our depreciation rate." The important thing is to test whether that rate is a fair and reasonable rate. It does to matter how you arrive at it. That was the little issue that was before the Board that my friend referred to.

MR. MacPHERSON: It was not such a little issue my lord. Furthermore, I have not the evidence here but I would like in connection with that very same reference to quote, for instance, the evidence of Mr. Thompson and Mr. Glassco and others of the accountant witnesses who gave evidence on behalf of my learned friends. One of the issues is, we feel, that there is no question that the Board has power, but we feel that the Board should exercise their power in order to get at the root of things in a way that perhaps is not done.

THE CHAIRMAN: Of course we are not hearing an appeal from the decision.

MR. CARSON: Quite so, my lord. I want to verify what the witness meant when he says the Board does not assume responsibility.

THE CHAIRMAN: The passage does say that the Board should assume responsibility for the production of data. Well the Board has the power now, and did assume the

responsibility but not in the form in which you wanted it.

MR. MacPHERSON: It was a question of the Board having decided things the way we did not think they should be decided, but we did accept the decision of the Board.

THE WITNESS: It might perhaps be couched a little more happily by saying something to the effect that had the Board assumed more initiative in providing the information, that is what we wanted, the Board to get us some information that seemed to be relevant to the facts. That is not an enlargement --

THE CHAIRMAN: Even if you had not asked for the information?

A. Yes, quite conceivably.

MR. CARSON: If I might suggest it, at least, the provinces had so much initiative that the Board never got a chance to get going.

MR. MacPHERSON: We say that so far as the Board is concerned it should show initiative to use my friend's term.

MR. CARSON: No, that comes from somebody else.

THE WITNESS: Yes, I said that.

MR. MacPHERSON: And, again, .

that it is not taking steps to go in in greater measure to get the information which is there.

THE CHAIRMAN: You say that up to the present they have not made sufficient use of their own staff?

MR. MacPHERSON: Correct my lord.

MR. CARSON: I would take it my friend does not know to what extent they have used their own staff, because their own staff is in their own building, and no

doubt from time to time the Board is asking its own staff for assistance.

MR. MacPHERSON: I know, for instance, my lord, that up until I think the 30 per cent. Case was before the Board, it had a chartered accountant on its own staff. I think that is right - within the last year. We suggest that that sort of procedure, with a technical adviser, is absolutely essential and that he should be in the position where he can go to the railways and get information.

THE CHAIRMAN: Well, you want us to recommend that such a thing be done?

MR. MacPHERSON: That is right.

THE CHAIRMAN: Alright, Mr. Carson.

MR. CARSON: Then, Doctor, on Page 75 you are still dealing with the subject of accounting practices and you say;

"It is suggested that it is not proper, as the railways assume, that management should be the arbiter as to what maintenance should be charged to the user."

now, I suppose you are there comparing that with the charges that should be made to capital.

A. Yes, we have given the illustration in this respect in the famous case of the N2 locomotives.

Q. I wanted to be sure, I thought that is what you meant.

A. Yes.

Q. Were you present through some part of 21 per cent. Case?

A. Yes.

Q. A good deal of it?

A. Well, I would not like to say it was. It was certainly not more than one third of the 150 days.

Q. Have you studied the record of that case?

A. Yes, but not recently.

Q. But you have gone over the record?

A. I have gone over it.

Q. Are you aware of the fact that in the 21 per cent. Case the Board did make a very exhaustive inquiry into the subject of maintenance.

A. Well, I suppose it all hinges on the word "exhaustive".

Q. Yes, I am putting that word to you.

A. I don't think it was exhaustive enough

Q. Alright, you don't think it was exhaustive enough. Now, you go with me thus far, will you not, that there was a considerable body of evidence put before the Board in that Case on the question of maintenance charges?

A. Yes.

Q. And, for instance, that many tests were submitted to the Board as to the fairness of the level of those charges?

A. Yes.

Q. Now then, you are also aware of the fact that in the 21 per cent. Case the full Board consisting of six members unanimously upheld the propriety of the maintenance charges of the Canadian Pacific in 1947?

A. I think that is correct, sir, yes.

Q. Now then, you are also aware of the fact that in the appeal to the Governor in Council the provinces

1. The first part of the report

2. The second part of the report

3. The third part of the report

4. The fourth part of the report

5. The fifth part of the report

6. The sixth part of the report

7. The seventh part of the report

8. The eighth part of the report

9. The ninth part of the report

10. The tenth part of the report

11. The eleventh part of the report

12. The twelfth part of the report

13. The thirteenth part of the report

14. The fourteenth part of the report

15. The fifteenth part of the report

16. The sixteenth part of the report

17. The seventeenth part of the report

18.

19.

20.

21. The eighteenth part of the report

22. The nineteenth part of the report

23. The twentieth part of the report

24. The twenty-first part of the report

25. The twenty-second part of the report

26. The twenty-third part of the report

27. The twenty-fourth part of the report

28. The twenty-fifth part of the report

contended that the Board in the 21 per cent Case (and I am now quoting from the Provincial Petition)"erred in not making a proper investigation to determine whether or not maintenance charges, including depreciation charges, submitted by the Canadian Pacific Railway were excessive for rate-making purposes. Right?

A.. Yes.

Q. Would you agree with me in this that no other subject in that 21 per cent. Case was argued as extensively before the Board or occupied as much time before the Board in examination of Exhibits and evidence of witnesses, than the subject of maintenance charges including depreciation.

A. It certainly occupied a considerable period.

Q. And would you take my calculation that on that subject alone the evidence covered some 2000 pages?

A. Yes.

Q. And the argument on that subject alone took some six hundred pages.

A. I see.

Q. And since the transcript averaged about 125 pages a day, that would work out at about twenty-one days of the hearing devoted to the subject of maintenance charges including depreciation.

A. I would need some time to varify the arithmetic.

Q. If you don't think I am too bad a mathematician -

A. You sound all right.

Q. That matter of maintenance including depreciation is dealt with (and I am only putting this on the record for the convenience of the Commission) in the 21 per cent Case Judgment, i the pamphlet print from pages 28 to 34, given by the Assistant Chief Commissioner from pages 70 to 75.

A. Yes, I remember.

Q. Then were you present at all during the review of that judgment?

A. For a short time I believe.

Q. By the new Board?

A. A very short time.

Q. And have you got hold of the record in that case?

A. I have skimmed it.

Q. Have you skimmed it sufficiently to agree with me that there was considerable evidence and data put before the Board in 1949, that is, the recent case, in connection with this review on the subject of maintenance charges?

A. I think that is correct.

Q. And are you aware of the fact that the Canadian Pacific furnished all data required by counsel for the Province of Saskatchewan and his accounting advisers on the subject of maintenance charges?

MR. MacPHERSON: Now, my lord, we are going to get into argument again. We had one a few days ago, and I am prepared to go on with that particular phase of argument, but that is the situation ----

THE CHAIRMAN: I suppose when Mr. Carson says that all the data was produced, that is what you are saying.

MR. MacPHERSON: Yes, my lord.

THE CHAIRMAN: That must mean all data which the Board ruled was relevant.

MR. CARSON: I am carrying this further, I am carrying this further than the Board this time. It draws a distinction between the earlier subject and this subject, and I am relying on a letter that was

marked Exhibit 153 in the 20 per cent. Case, and I do submit it is most relevant to this question in the brief that I just referred to, which is the brief at page 75. It is not a long letter and I would like to read it.

MR. COVERT: Isn't that the one that was already read into the evidence?

MR. CARSON: Mr. Evans read three paragraphs of it, and I would like to read the rest of it, if I may. This is a letter written February 16th 1949:

- 10139B -

"Dear Mr. MacPherson:

"I acknowledge receipt, about 6 P.M. on the 10th instant, of your three letters of the 9th instant. On the evening of the 10th, Mr. Carson and I had a discussion with you with regard to these letters and subsequently I had a further discussion with you that evening and again the following morning.

"In the case of your letter with respect to maintenance of way and structures, you intimated that in the case of Item 1 you would be satisfied to have the analysis of maintenance and capital projects where the expenditure was \$25,000 or over and that you were not interested in any so-called housekeeping maintenance. This part of the maintenance of course, as I pointed out to you, comprises a very large proportion of the total expenditure for maintenance.

"After I had discussed the matter with our engineers and accountants, I told you that we would include all special maintenance projects in respect of coal and ore wharves whether or not the expenditures on each project exceeded the level of \$25,000.

"Your letter referred under Item 1(c) to "Shops and Engine Houses". My understanding was that there had been no request at the conference held on the 9th for information in respect of Shops and Engine Houses but that there had been discussion with respect to Bridges, Trestles and Culverts. I pointed out to you in our discussion on the evening of the 10th that there had already been considerable work done in getting out the data in respect of Bridges, Trestles and Culverts. In these circumstances you said that you would be

- 101390 -

satisfied to have the information with respect to Bridges Trestles and Culverts instead of Shops and Engine Houses.

"I also pointed out to you that we were not clear as to the paragraph in your letter with respect to maintenance of way in which it was stated that it had been agreed that the work in respect of Item 1 could be done in such a manner to enable you to visualize and test the principal factors in maintenance in the year 1948. My understanding was that you were not clear as to what your accountants had in mind in the case of this paragraph and you told us that in the circumstances we could ignore that paragraph.

"As to Item 2 in your letter, we were not clear as to what was desired but you told me that you would be satisfied with a general statement as to the principles applied.

"In the case of your letter as to maintenance of equipment, you told me that in the case of Item 1 you would be satisfied with information as to the expenditures in and chargeable to the 1948 accounts and that it would not be necessary to furnish data in respect to the years 1946 and 1947.

"In the case of your letter in respect to telegraph and telephone lines, I was not clear as to what you meant by "major" maintenance and capital projects. You told me that you would be satisfied to have data in respect of such projects where the total expenditure was \$25,000 or over.

"With regard to the second paragraph in Item 1, you agreed that this paragraph could be ignored for the reasons above stated in connection with a similar paragraph following Item 1 of the letter dealing with maintenance of way and structures."

The next three paragraphs were read the other day,

but if the Commission would permit me I would like to read them in this text.

"Our engineering and accounting officers arrived from Montreal last evening with the data requested by your three letters as we had interpreted them in our discussions. You and Mr. MacDonald..." (that is, Mr. MacDonald the chartered accountant) "...then met us and the data was put before you and considerable discussion followed. At the conclusion of our meeting you told us that the data we had furnished gave you the information sought by your letters but that you would let us know before midnight tonight whether you would require any original records in respect to any of the items included in such data.

"As I pointed out to you last night, we desire to put Mr. Liddy back in the witness-box as early as possible so as to have his cross-examination completed and our case closed." (this was near the close^{of the}/case.)

"Before we broke up last evening we also pointed out that the engineering and accounting officers had come to Ottawa especially for the purpose of offering any explanations you might desire. Some of them had been unable to obtain accommodation in the Hotel but we told you we would keep them in Ottawa if you desired it. Both you and Mr. MacDonald told us that there was no need to keep them here further and that they could return to Montreal.

"I am sending to Mr. Oliver twenty copies each of the documents handed to you last night together with a written answer to Item 3 of the request as to

telephones and communications which I gave you orally last night."

That ^{is} Mr. Oliver of Saskatchewan. That letter was written on the 16th of February and we had no further requests from Mr. MacPherson or any of the other Provincial counsel for any further data on the subject of maintenance.

(page 10140 follows)

that letter was written on the 16th February, and we had no further requests from Mr. MacPherson or any of the other provincial council as to the subject of maintenance

MR. MacPHERSON: I want to say something in connection with that.

MR. COVERT: I wonder if you could not postpone this argument because they will be here at a later date, and go on with the witness whom, I understand, has to leave tonight for home. Time is very limited. There is the cross-examination of Mr. O'Donnell and myself yet.

MR. CARSON: I am just through with the subject.

THE CHAIRMAN: This question came up on something said in your brief. If you think it is worthwhile we might take it up at a later time. We are anxious for Mr. Britnell to get away today.

Mr. MacPHERSON: Yes, I am very anxious for my friend to get away. But when my friend comes in and reads this letter of the 16th February, then I want the circumstances put properly before this Commission.

MR. CARSON: So do I.

MR. MacPHERSON: I want/^{them}put before the Commission in such a way that, I submit, a different construction will be put on them.

THE CHAIRMAN: Cannot we do that again when Mr. Britnell is not here?

MR. MacPHERSON: Yes, I want to most definitely put on the record the fact that this did not pass unchallenged as to my friend's remarks. I am postponing it until such time as the case comes before the Commission.

THE CHAIRMAN: I think it can very properly come up later.

MR. CARSON: I do feel it my duty in taking the brief to show what the implications were of what he was saying.

MR. MacPHERSON: I want to make it clear as to what I conceive to be my duty, and I say very firmly and strenuously that I challenge many of the frowns that are involved in the argument this morning. I want to do it now, although I will reserve the right of argument.

THE CHAIRMAN: We can thresh it out at a convenient time. The assertion in the brief, apparently, is that the Board has shirked its proper responsibility, and Mr. MacPherson says he would be better equipped to fill this out if he had certain technical assistance.

MR. CARSON: I refer to this part of the question as to the passage on page 75 whether or not the brief suggested that it was not proper, as the railway assumed, that it is only human nature to charge the maximum to operating account and therefore against the user. I am trying to point out that there is no foundation for the suggestion that there is no assumption on the part of the railways on that, because that very issue was taken in hand by the Board of Transport Commissioners and was thoroughly threshed out for twenty-one days in that case.

MR. MacPHERSON: If my learned friend wants to persist, I am prepared to discuss with him or discuss with this Commission or anybody the attitude in the matter of giving evidence of the resistance in the matter and producing evidence for my learned friend in both cases.

MR. CARSON: Q. I am putting it to you, Dr. Britnell that the statement on page 75 that the railways made the assumption that you attribute to them is not right?

A. Where is that?

Q. Page 75, line 6: "It is suggested that it is not proper, as the railways assume, that management should be the arbiter as to what maintenance should be charged to the user." I am putting it to you that that statement is not right, because in both of the cases before the Board, the Board decided what maintenance would ^{be} properly charged for rate-making purposes?

THE CHAIRMAN: It does raise another aspect as to the responsibility of the Board; whether the Board has taken ^{into} them consideration or whether they have allowed the railways to do what they liked.

MR. MacPHERSON: I think, my lord, in fairness ^{the} to/witness that it was after the brief was completed that the 8 per cent judgment came down, but there should be read into the record that the new Board at page 11 of its judgment in dealing with maintenance costs and deferred maintenance said this: "On the hearing of this application the applicants restated and brought up to date their evidence and exhibits with reference to maintenance of costs. I think that these maintenance costs will require further study before any decision can be given, even assuming that the requirements of the Canadian Pacific Railway are to be accepted as the yardstick for a further increase in freight rates." I am suggesting, in conjunction with what my learned friend read in connection with the 21 per cent case, that this should be read because it is by way of review, and indicates that there was more with regard to maintenance than my friend suggests.

MR. CARSON: I am sorry that my friend did not read

the rest of the judgment: The Canadian Pacific Railway commenced deferred maintenance in the year 1941 and accumulated by way of deferred maintenance some \$27,600,000. To date (the end of 1948) that fund has been drawn on only to the extent of \$2,250,000. The evidence in support of this application indicates that the deferred maintenance fund would be drawn upon only in those years in which normal maintenance had been exceeded. It may very well be that a substantial balance of this deferred maintenance fund would be carried over for an indefinite period.

Counsel for the Province of British Columbia, Manitoba, Alberta and Saskatchewan conducted a very skilful and able examination and cross-examination of witnesses with regard to this fund, but did not submit to the Board any helpful scheme for its disposition and I therefore am of the opinion that the question of proper maintenance will require further study by the Board in the light of additional information and accounting procedure which may flow from the recommendations of the Royal Commission, which has been asked to investigate the the accounting procedure for the railway companies."

My learned friend did not read from this Judgment as on page 4.

MR. MacPHERSON: I am content that the Commission should read the whole Judgment.

MR. CARSON: May I just read one more sentence: "Dealing first with reference to the Board by Order-in-Council P.C.4678, in my opinion no new

evidence was furnished the Board or new matters drawn to its attention which would justify disturbing the findings of the Board with respect to the following matters:

- (a) As to the propriety of the maintenance charges submitted by the Canadian National and the Canadian Pacific Railways for rate making purposes."

The Commission will see what the Chief Commissioner/^{said,} as my friend and I read earlier, that there may be some change of the accounting procedure as a result of the recommendations of this Commission.

MR. MacPHERSON: My learned/^{friend} was only discussing maintenance; he was not discussing deferred maintenance. I read the first paragraph because he had not been discussing deferred maintenance, but I am quite content that the three paragraphs on pages 11 and 12 be read in conjunction with the 21 per cent Case.

THE CHAIRMAN: We will read the whole Judgment.

We need a little recreation now.

- - - - RECESS

THE CHAIRMAN: May we proceed now?

MR. CARSON: Q. Doctor, there is one other sentence that I want to see what you mean by that. You are not suggesting that the Board failed in the exercise of its power either in the 21 per cent Case or in the more recent case in view of the charges of depreciation?

A. No, we would like to see the Board enlarge its inspection of these records and hire accountants that can get behind, shall we say, the actual data that is presented.

Q. You have told us that. What I want to understand is what you mean by this sentence and as I understand, you are not suggesting that the Board did not make a full

investigation into the reasonableness of these rates.

A. I think some of the argument shows that the Board was, perhaps, a little tardy in coming to the recognition of the importance in getting this material.

Q. Delay or not, the Board did go into the question of the amounts charged in the year and it was so in the latter case?

A. Yes, I doubt very much if they had enough information.

Q. You know that in the 21 per cent Case they reduced it by some \$21,000?

A. Yes.

Q. And in this latter case they made a reduction of \$1 million?

A. Yes, that was very promising.

AQ. That was as a result of a very careful review of the depreciation charges ?

A. Yes.

Q. You are not suggesting that the Board has not the power to investigate the full amount of the depreciation?

A. No, never; we feel that if they went a little further they would reduce them a little further.

Q. And we think they would have brought them up if they went/^alittle further. You say on the page a few lines farther:

"The Board should have the right of inspection, by its technical staff, of the accounting and statistical records maintained by the railway."

A. Yes.

Q. Do you suggest that the Board has not that power today?

A. I do not know enough of the legal side. We would certainly give them this power under the Act

if they haven't got it

Q. I won't argue the interpretation of the Act, with you, but I do suggest that they have that right and power today, and I leave ^{it} to the Commission to examine that?

A. As far ^{as} economy is concerned and these practises are concerned, I think we are pretty well in complete agreement with the recommendations contained in ^{the} C.N.R. brief.

Q. On the same page you say: "A standard form of annual report to the regulatory body fully detailed as to all necessary statistical and accounting information and available to the public which pays the rates, should be n existence."

You told us this morning ~~that~~ is what you want?

A. We merely think that the information that is available, if you dig it up, should be made more readily available through publication by the Dominion Bureau of Statistics and similar agencies.

Q. Do you know, Doctor, what information is made available to the Board today?

A. No, I do not know.

Q. So you are not in a position to say what information is made available today?

A. That is what our accounting officers tell us. You are getting me out of my depth.

Q. I cannot get any help from you on that?

A. No, I am afraid not.

Q. And I would also like you to help the Commission with reference to two other sections of the statute, and that is section 126 and section 33 (2) of the Act. It is my submission that the Board has the fullest power to tell us in what manner we keep our accounts and what information is to be made available to them. At page 78 you say under

"Regional Cost", and there is a paragraph commencing with "When the nature of the terrain, climatic conditions . . ." and you say: "In this connection the position is taken with absolute definiteness that the high costs of construction and operation in the region north of the Great Lakes can in no sense be chargeable to the prairie regions."

Now then, are you referring in that sentence to what is referred in the brief at another place as "a thousand miles of wilderness"?

A. In a sense.

Q. Are you referring in that sentence to what you referred to as "the thousand miles of wilderness"?

A. That and the National Policy.

Q. What are you referring to?

A. The region north of the lake.

Q. A thousand miles of wilderness?

A. Yes.

Q. What does that cover; does that include Winnipeg?

A. No, we can't go too far; my friend in Manitoba, I am afraid, would think we included them in that wilderness.

Q. It is Winnipeg to Sudbury, but excluding Winnipeg

and Sudbury,

A. Yes.

Q. That is what your "thousand miles of wilderness" is?

A. Yes.

Q. I want to see that we are talking about the same thing. Your answer is "yes"?

A. Yes.

Q. Because at page 9 of the printed brief you say in this sentence "A thousand miles of wilderness, yielding relatively little in the way of revenue freight, separate us from the industrial areas of Ontario and Quebec", and on page 10 of your printed brief, you say, referring to the same road, you suggest: "It merely supplies a traffic 'bridge' between eastern and western Canada."

A. I think the word "merely" might be considered an exaggeration.

Q. So we better leave out the word "merely"?

A. Yes.

Q. Then at another place you refer to "the hundreds of miles of Shield bridged by the Pacific railway remained unremunerative in terms of traffic . . .?"

A. Yes.

Q. Four lines from the bottom you said "the hundreds of miles of Shield bridged by the Pacific railway remained unremunerative in terms of traffic . . ."

Do you remember that statement?'

A. Yes, I remember the statement.

THE CHAIRMAN: What page is that on?

MR. CARSON: Page 63 of the print, four lines from the bottom, my Lord, he says "The hundreds of miles of Shield bridged by the Pacific railway remained unremunerative in terms of traffic."

Q. What foundation have you for saying, Doctor, that the Shield remains unremunerative in terms of traffic?

A. If I remember correctly, the Duff Commission suggested a good many of these things.

Q. That was fifteen years or some years ago?

A. Yes, there has been a good deal of mineral development in the Shield, but so far as we are concerned we are still extremely doubtful whether it would begin to pay.

Q. Your brief has asserted that that Shield remains unremunerative in terms of traffic?

A. Unremunerative in the sense of covering the cost of traffic.

Q. Have you made any study of that?

A. No.

Q. I take it that since you have made no study, you did not make any inquiry as to the traffic of the region on the line between Winnipeg and Sudbury, excepting Winnipeg and Sudbury?

A. No.

Q. When you made that statement in the brief were you aware of the fact that the traffic had increased in volume?

A. No, I did not have that information.

Q. You did not have that information?

A. No, that would not be conclusive in terms of railway revenue.

Q. You did not have the Canadian Pacific brief with that statement when you prepared this brief?

A. No. That would not be conclusive in terms of railway revenue.

Q. But it would make all of Saskatchewan about half as valuable in the way of originating traffic?

A. That would depend upon the rates at which it was carried and how far and how it compared to carriage on other lines.

Q. You would not adhere to that statement with any confidence had you read the document prepared by the Canadian Pacific?

A. I would be prepared to examine it very carefully.

Q. Something that has not yet been done?

A. Not yet.

Q. Then at page 80 referring to the level of rates in the east in force/as compared to the west, you make this statement, the second paragraph from the end:

"It will be conceded at once that a compelling statistical proof of this allegation probably cannot be made. Not all western rates are higher; some are lower. Moreover, a higher stated rate in a majority of instances is not conclusive without reference to the volume of freight moving under various rates and without an analysis of the distances involved. The Government of Saskatchewan is in no position to make an accurate study and no acceptable study has been made by anyone, not even by the Board of Transport Commissioners. It may well be doubted whether the Board or either of great railways has made such a study or is in a position to do so without a long period of preparation."

Now, is there anything about that paragraph which you think would require a little clarification?

A. I would not think so. I thought we were taking an extremely reasonable and conciliatory attitude there. We are not trying to put any price-tag on it. We know there are advantages and disadvantages both.

Q. Well, I think you will come along with any argument made on it. You recall the direction in P.C. 1487 7th February 1948 that directed the Board of Transport Commissioners to make this inquiry.

A. Yes, I was going to say that I think we might get something out of that inquiry but, of course, that is still in the future.

Q. You are already aware of the fact that as far back as July 1948, when the railways launched their application for the 20% increase, they made it clear they intended to put some equalization proposals forward.

A. Yes.

Q. And should have known that there has been a waybill study under way for over a year and a half?

A. I was going to add the Waybill Study also ought to go fully into this question.

Q. But I just want to be clear on your statement in the brief which suggests there is no accurate and no acceptable study made by anyone?

A. I don't think there has been any accurate or acceptable study completed by anyone.

Q. It is not completed, of course, and you know that there is a tremendous volume of work involved in that study?

A. Yes, and we also want to indicate that even when these studies are completed there may be still a

wide marginal grounding for argument as to the validity of inclusion or exclusion of certain considerations.

. Now, has your province gone into this question at all?

A. No, we are a poor province; we have not the facilities for doing that sort of thing which is a very, very expensive study.

Q. And the poor railway?

A. Well, it is part of their business, of course, there.

Q. Now, you are aware of the fact that the Board has extended the time on several occasions for making submissions in respect to that general freight rate inquiry?

A. Yes.

Q. And up to the present time your province has not put in submissions to the Board?

A. Not that I am aware of.

Q. And you certainly have not submitted any proposals with respect to equalization, as you told me:

A. No, we indicated the fact that we did not expect too much from equalization. That is why we have a different recommendation at the end.

Q. Well, at any rate, it would not be accurate to leave the impression or that you intend to convey that neither the Board nor the railways are making this study because it is clear to all of us that they are?

MR. MacPHERSON: I think, my lord, it should be on the record in this connection that while this general freight rate inquiry was directed under P.C. 1487 and while the Board of Transport Commissioners did give a certain dateline by which there were to be representations put in

and it extended it on one or two or perhaps three occasions, there has been no extension of anything further for at least a year.

MR. FRAWLEY: The Commission should also know that those extensions were not made at our request or upon our application, Mr. Chairman - those extensions of time for the filing of submissions under P.C. 1487.

THE CHAIRMAN: Is anybody complaining that he has been debarred from presenting submissions to the Board?

MR. MacPHERSON: No, my lord.

MR. CARSON: Not only have they not been debarred but I am pointing out they have had the time extended on numerous occasions.

THE CHAIRMAN: But I heard Mr. MacPherson say there had been no extensions for about a year. That sounded as if you tried to get an extension.

MR. MacPHERSON: My point there, my lord, was that the Board itself on its own motion extended the period.

THE CHAIRMAN: The period for what?

MR. MacPHERSON: Filing representations by the provinces and other interested parties and for over a year even the Board has not done anything further about it.

THE CHAIRMAN: Have you done anything about it?

MR. MacPHERSON: No.

THE CHAIRMAN: Or Alberta?

MR. O'DONNELL: They have all refused to co-operate.

MR. CARSON: I wonder if my friend wants to leave it on the record -

MR. MacPHERSON: I am only talking about the matter of extensions. I am not reflecting on the Board at all. What I am saying is there was a certain deadline given about a year ago.

THE CHAIRMAN: Did you comply with the deadline requirements.

MR. MacPHERSON: No, my lord.

THE CHAIRMAN: Nor Alberta ?

MR. FRAWLEY: No, my lord.

MR. O'DONNELL: Nor Manitoba, nor any of them.

THE CHAIRMAN: What do you want to say results from it?

MR. MacPHERSON: Well, what results from that is this, my lord, that so far as the provinces are concerned, the position they took was that since this Royal Commission was sitting, this Royal Commission could deal with matters before the general freight rate inquiry was gone into.

THE CHAIRMAN: Well, of course, that is your own business, but you have no complaint to make against the Board?

MR. MacPHERSON: Not at all, my lord.

THE CHAIRMAN: Nor Mr. Frawley?

MR. FRAWLEY: None at all. I don't know why my friend mentioned the fact that we have not complied with the deadline. That was the only thing that made me rise to my feet.

THE CHAIRMAN: I assume now that you have not presented any submissions to the Board?

MR. FRAWLEY: Nothing could be truer than that, sir.

THE CHAIRMAN: Well, that is to suit your own convenience.

MR. CARSON: My friends complain so loudly and then when they get something that is given to them by this Order in Council I am suggesting they do not take advantage of it. Now then, doctor, you and I get along a lot better.

A. Yes, I notice that, sir.

Q. I want to put a few questions now which I think are quite clear but I want to be sure of the matter and

to see if you go along with me. I gather from your brief, and there is no doubt about it, and even apart from the brief no one would doubt it, that agriculture occupies the dominant position in the provincial economy of Saskatchewan?

A. Yes.

Q. And I think your brief indicates that almost sixty percent of the gainfully occupied are engaged in agriculture?

A. Yes.

Q. And by far the greatest proportion of agriculture is grain and grain products?

A. Yes.

Q. And by far the largest proportion of your Saskatchewan grain products have been moving out of Saskatchewan by rail under the Crows Nest Rates?

A. Yes.

Q. And that has been the case for the last fifty years except the four-year period following the last war?

A. Fifty-two years.

Q. You would also agree that because of those Crows Nest Pass Rates Saskatchewan has always enjoyed an important advantage in freight rates?

A. That may or may not be true, depending on different times. Actually when they were brought in, for several years, if my memory serves me correctly, the rates were rather lower than the Crows rates.

Q. I don't want to get into any argument about that. But you must regard it as an important advantage because you are fighting to retain the statutory control?

A. We would like to be certain of the statutory control because we do feel that it is a ceiling that we can depend on. It is the ceiling on those rates that is important in making calculations.

Q. I think you would agree with this, what you are

saying is that it is a very important advantage to Saskatchewan to have this principal product of agriculture exempted by statute from freight rate increases?

A. We would like to continue that condition.

Q. Now, you also know that grain and grain products have been the only commodities moved by rail in Canada in respect of which there is an exemption from freight rate increases. Right?

A. Yes, I think that is true.

Q. There is no other traffic moved by rail in Canada that is immune from rate increases?

A. I can't remember any.

Q. Now then, doctor, because of the exemption from freight rate increases that is now enjoyed in respect of grain and grain products, it would follow, wouldn't it, that when a general rate increase is authorized in respect of all other commodities in Canada, that the increase would be higher than it would be otherwise?

A. I am not at all certain of that because I do not know and I consider it is completely irrelevant to this Inquiry, of course, whether Crows Nest Rates are compensatory or non-compensatory.

Q. Are you suggesting when the 21% was allowed in 1948 that it should have been 21% regardless of whether the grain rates were compensatory or not?

THE CHAIRMAN: Regardless of what?

MR. CARSON: Regardless of whether the grain rates were compensatory or not. What I should have said was regardless of whether the grain rates were increased.

A. I don't follow you there.

Q. Are you suggesting that when the Board authorized the 21% increase in 1948, that it would have been still 21% even though the increase could have been applied to grain and grain products?

A. No, of course not.

Q. You would agree with me that the increase would have been lower?

A. Well, if you had spread it over grain products, that, is another 21% on grain products would have resulted in more revenue to the railways.

Q. That would have resulted in X% being something lower than 21%? Let us take X% for the purpose of our question. X% would have been in lieu of 21% on the freight rate increase?

A. Yes.

Q. So the result is that the burden of an increase in 1948 is heavier than it would have otherwise been upon the shippers of all other commodities.

A. Certainly it is higher than it would have been presumably had it extended to all products.

Q. That is why I took X%, so I would not trouble you with figures?

A. Yes.

Q. And to the extent that that 21% increase is reflected in the price paid by the consumers of such other commodities, there is a heavier burden of increased rates imposed on them than would otherwise be the case?

A. That seems reasonable.

Q. And I am not asking you to assent to it at all but just in this context I want to remind the Commission that on page 61 of the Canadian Pacific Railway Company's Brief the statement is made that the increase would have been 18% instead of 21% if the grain rates had been included. You made no study and the Canadian Pacific Railway have made a study which brings it to 18. Now, in Regina you remember a Mrs. Wade presented a brief on behalf of the Saskatchewan Homemaker's Club, an organization having about 6500 members?

A. Yes.

Q. And that was at Volume 5, page 864 of the transcript. Now, in her brief we find complaints in respect of the impact of the 21% increase upon the prices of building materials which she pointed out largely have to be brought into Saskatchewan from other provinces, particularly the East?

A. Yes.

Q. Now, to the extent that the 21% freight rate increase has caused an increase in the price of building materials, the people of Saskatchewan have been paying higher prices for their building materials than they would have been paying if grain and grain products had not been exempted from the freight rate increase?

A. Yes. That is why we feel that the Crows Nest Pass Rates are inadequate or incomplete compensation for the disadvantages of national policy and, while we would like to tidy the thing up by extending it to other commodities -

THE CHAIRMAN: You would like to what?

A. We would like to tidy the situation up by getting a more adequate compensation or, as we suggest, a reasonably commensurate compensation by extending the Maritime Freight Rates Act or the principle to other products.

Q. But you don't mean in lieu of the Crows Nest?

A. Oh no.

MR. CARSON: You want something more than that?

A. We want somewhat more adequate compensation.

Q. I am not trying to take away at the moment from other parts of your brief. We would never get ahead if we attempted to do it that way. I am trying to get you to go along with me on what I think you would not disagree

with. What I put was right, wasn't it, to the extent that the 21% increase has caused an increase in the price of buldging materials in Saskatchewan that, the people of Saskatchewan will be paying more for their building materials than they otherwise would?

A: I think you are right on the isolated incident but we would prefer to take the larger picture.

Q: And the same would be true on all other commodities which are brought in by rail because higher prices are beingpaid by reason of the 21% increase?

COMMISSIONER INNIS: Following Mr. Carson's argument, would you say, Dr. Britnell, that the burden would be less one way or the other so far as the whole economy of Saskatchewan is concerned?

A: No I -

Q: The point is, if you had raised the rates on wheat - you might lower prices on the other hand -

A: Oh, I feel quite certain that if the rates had been applied on wheat we would have had to bear a larger proportion of the total burden. It would be larger than it would be with the statutory Crows rates.

Q: What would be the basis of your argument?

A: Because, on the very large amount of traffic moving on the wheat rates - I would expect that - I don't know the volume of movement or the rates.

Q: You don't think they would be equal or do you think it would be larger?

A: I am afraid - I have an instinctive feeling that we would lose on that basis.

MR. CARSON: What I was thinking about, Doctor, when asking you to elaborate - I presume you have not made a study that could answer that particular question?

A: No, but I have a pretty sound instinct.

Q: So you said, but I was thinking about this sort of thing. On Page 15 of your brief you refer to the vast quantity of consumer and capital goods that must be brought into the province by rail and it is in respect of the freight rates on those that your people are paying more because of the exemption they enjoy from the Crow's Nest Pass rates in respect of increases?

A: On your basis of calculation, sir.

Q: I am just bringing it down to two things so that I have it as I understand it. The people of Saskatchewan who buy fruit from British Columbia are paying more for their fruit because of the exemption from rate increases that are enjoyed on account of the grain and grain products?

A: But you cannot isolate them in that way. I think that on balance they are paying less than they would as consumers and producers (every consumer out there is a producer of some sort)) than they would if the rates had applied on grain as well.

Q: Well, doesn't it come to this, that taking our 21% and our percent, the people of Canada are all paying a higher freight rate increase as a result of the exemption Saskatchewan enjoys from freight rate increase in grain products?

A: The burden might be very well lower at the present time to Saskatchewan and the prairie economy generally.

Q: I was putting to you the ^{affect on the} other people of Canada?

A: Well, I don't think there could be any doubt about that.

Q: I don't think there could be any argument about it. Now, Doctor, without any argument about it I

just want to know if you agree with this or not. Would you agree that no scheme of equalization would be true equalization as between Western Canada and Eastern Canada unless in some way it took into account all advantages as well as disadvantages in both areas?

A: Yes.

Q: You would agree with that?

A: Yes.

Q: Would you agree that if the Crow's Nest Pass rates are below what would be just and reasonable rates question of apart from the statutory control, that the extent to which such rates are below what would be just and reasonable is a measure of disparity between Eastern Canada and Western Canada?

A: No.

Q: You would not agree with that?

A: No.

Q: The thing that provokes this sort of question is this, that on Page 54 of your brief, when you are emphasizing the impact of the 21% increase on the Canadian Co-operative Processors Limited, you say this about two-thirds down the page. There is a sentence commencing "the increase of 21% in freight rates was a serious blow to the operations of this industry, coinciding as it did with difficulty in finding markets for its products". What I am putting to you is that it would have been a less serious blow to that organization if the Crow's Nest Pass rates had been increased?

A: Not enough to make any economic difference because even on the basis of your 18% -

Q: I have not attempted to defend it; all I say is it is less?

A: It would be probably because the Canadian

Pacific Railway, I have no doubt, shows the lowest figure which was 18. It would have been a serious, if not a mortal blow.

Q: Then, Doctor, when one comes to consider the relative advantage of all Canadaan wheat farmers against wheat farmers in, say, the Argentine or Australia, would you not agree with me that the important factor is not some segment of the transport cost but the total cost from the farm to the consuming markets? The total cost is an important thing, isn't it?

A: The total cost is important but -

Q: That is the total transport cost I am talking about from the point of production to the point of destination. The total transportation cost?

A: Yes.

Q: And that is important when you are comparing your position with the farmer in Australia or the Argentine?

A. Yes.

Q: Now you recognize, of course, that Canada has no control over ocean freight rates?

A: Right.

Q: And Canada has no control over the freight rate from Buffalo to New York or Philadelphia and that land rate pretty well controls the rate from the Bay ports to Montreal and Halifax?

A: I think it does.

Q: And then the water rate from the head of the Lakes to the Bay ports and to Montreal is pretty well governed by the competitive forces which exist?

A: During the period of navigation.

Q: That is, shipping lines compete among themselves?

A: Yes

Q: Now, since the relation of the through rate, the total rate from point of origin to point of destination, wherever it is - Europe, England, or wherever it is - since that is the single factor in the transport cost you can conceive a condition under which the ocean rate from Montreal was increased so as to absorb the spread caused by the lower Crow's Nest rates, can you not?

A: Would you state that again?

Q: Yes. We have agreed that the important thing is the total transport cost from point of origin to point of destination?

A: I would not say the important ^{thing;} it is important.

Q: Well, it is more important than a particular segment?

A: Yes, the whole is greater than a part, I believe, as a rule.

Q: Well, keeping that in mind and having in mind that wheat leaving Regina moves from Canada and then moves across the ocean under rates that are not subject to Canadian control, you could conceive of conditions under which the ocean rate from Montreal could be increased or would be or might be to absorb some of this spread that is caused by the Crow's Nest Pass rates?

A: I am not quite sure what you mean "... some of this spread caused by the Crow's Nest Pass rates"?

(Page 10172 follows)

Q. I don't know whether it is a bad illustration or not, because I am out on my own on this one. I suppose you get wheat coming from an American point of origin to an American seaboard point, that is, comparable in length of haul with a shipment from a Canadian point of origin to a Canadian seaboard point.

Q A. Yes.

Q. And the American rate is higher for that haul than the Canadian rate?

A. Yes.

Q. Then could not you conceive of a condition where the shipping rate from the Canadian port to the European destination might be higher because there was a higher rate or a lower rate in Canada from the point of origin to the Canadian seaboard?

A. But the competition on the ocean rates is such that there would not be any material difference between moving from Canada ----

Q. I agree with you there would be competition in respect of all shipping lines leaving a Canadian port, but what competition would there be between the ship leaving the Canadian port and the ship leaving the American port?

A. Because practically all the shippers going into an American port, if they could get any higher rate from the Canadian port, would normally bring down the Canadian rate to the proportionate or appropriate relationship with the American.

Q. You are not suggesting that all these shippers would come up to Montreal?

A. There would be enough of them to bring the

rates down to their appropriate relationship.

Q. At any rate ----

A. They can move around very quickly for the most lucrative cargo.

Q. And grain is even placed on liners?

A. Yes.

Q. So there may be some shippers that could not pay the freight rate.

A. But the liner traffic is a very small proportion.

Q. I want your opinion. Is it that the ocean rate would never be different?

A. It could not remain appreciably different for any length of time under normal competitive travelling in the ocean traffic.

Q. I am not suggesting there is any difference in normal competitive operations in respect of the total transportation cost, because there is a lower rate in Canada to move comparable figures to the seaboard, than the United States.

A. We were talking of the ocean. The railways have a virtual monopoly of moving grain to seabords in each country.

Q. But the American railroads are permitted to charge a higher rate than Canadian railways on comparable movements.

A. Yes, I understand the rate is rather higher.

Q. You don't think that would make any difference to the ocean rate?

A. No, none whatever.

Q. If it did, just as a matter of thinking, if it did happen that it did make a difference ----

A. I cannot conceive of any circumstance where it could.

Q. You would agree, if this unusual thing did happen, that revenue sacrificed by the railways in Canada might be transferred to shipowners and not to the Western farmer?

A. That is such an academic question.

Q. If the foundation is right, the conclusion is right, isn't it?

A. Well, if everything was completely changed in the world from what it has been over the last four hundred years of traffic between Europe and America.

Q. I won't pursue you on that very big "if", Doctor. At page 12, Doctor, speaking about farm products, you say that the survival of the Saskatchewan economy has involved constant efforts to reduce costs in order to meet competition in world markets. Now, you made those constant efforts, I am sure.

A. Oh, yes.

Q. And with what success?

A. With very considerable success thus far. The introduction of the cheaper type of tractor, cheaper and more efficient type of tractor, the combine, the grain truck, large scale machinery, make us less reliant on farm labour as a cost. All those things have helped, plus also improved tillage practices, listening to the advice of the Dominion and Provincial Department of Agriculture in adapting tillage practices to the conditions of the semi-arid plains, land utilization receipts and that sort of thing.

Q. All I want to be sure of was that when you

make that statement, that your efforts have met with considerable success.

A. Yes, we have survived.

Q. Then at page 21, referring to petroleum at line 8, you say:

"The latter figures ----"

A. Page which?

Q. Page 21 of the print.

A. Yes.

Q. "The latter figures indicate that a substantial rail movement is involved in the distribution of gasoline and other petroleum products within the Province".

A. Yes.

Q. Where did you get your tractor fuel from?

A. Well, of course, the source of supply has been shifting pretty rapidly within the last year or two. We get a very large proportion, an increased proportion of it now, from fields around Edmonton.

Q. And you expect to get it all very shortly, don't you?

A. We hope to, by pipe line.

Q. When you say at page 8 of the brief:

"Instead the equivalent labour is engaged in the manufacture of power equipment and tractor fuel and in the transportation of these products from distant centres to the wheat growing region"

Are you speaking there about the Prairies generally?

A. I beg your pardon.

Q. Page 8 of the print.

A. Yes.

THE CHAIRMAN: Where is that on page 8?

MR. CARSON: Page 8, Mr. Chairman, about two-third or four-fifths of the way down the page. It is the last sentence in the paragraph, a rather long paragraph commencing "The technology of the wheat farm"

THE CHAIRMAN: "Instead the equivalent labour" and so on?

MR. CARSON: "Instead the equivalent labour is engaged in the manufacture of power equipment and tractor fuel and in the transportation of these products from distant centres to the wheat growing region".

Now that you are getting or expect to get almost the whole of your supply from Mr. Frawley, you don't have that same long haul in respect of tractor fuel, do you?

A. No, we still have not got the advantage, and that is particularly true of the north of the Province, of any such good rates as obtain from Calgary to Edmonton under the threat of pipe line competition.

COMMISSIONER INNIS: This is rather by the way, but does that explain the decline in population in Saskatchewan, as shown in these tables?

A. I think a good deal of it is transfer of population back to the industrial areas. I also think (and I would not want to stress this too strongly because it may suggest that Saskatchewan is particularly unattractive) I do think that relatively in terms of prosperity the chance of earning a livelihood in many other parts of Canada is a stimulus in itself to move out. For instance, this last year our natural

increase, excess of births over deaths, was around 15,000, but the D.B.S. estimate of the increase in population is less than half that, so that over 8,000 people left the Province in addition to an equivalent number for all emigrants that came in in a fairly heavy immigration area.

Q. You think that is largely the result of these technological changes?

A. I think it is largely.

THE CHAIRMAN: Is there anything you suggest we might do or recommend that would help that situation out?

A. Yes, sir, definitely. We have contended that the proposed extension of the Maritime Freight Rates Act principle to Saskatchewan would stimulate a good deal of industrial diversification, and that that would help to consolidate, broaden the base of the Saskatchewan economy. That is what we need more than anything else, because the trend in mechanization in wheat farming is by no means over, and I look for a condition under which the farm population continues to shrink in the normal course of events if it were to take advantage of mechanization and large scale agriculture.

Q. Then you are looking for some assistance by way of transportation charges, reduction of them, to help on the industrialization of the Province?

A. Yes, in those things for which we are suited.

Q. Yes, that is what I understood you to say.

A. Yes.

MR. CARSON: Doctor, as I gather, you have made a

proposal for two forms of subsidy.

A. Yes, sir.

Q. One, the subsidy along the lines of the Maritime Freight Rates Act, and the other what you call a deficit subsidy.

A. Yes, it is a contingent sort of subsidy. We hope it won't be necessary. We hope that the railways will continue to be efficient and take advantage of technological improvements themselves, as we do in Western Canada and that it won't be necessary.

THE CHAIRMAN: You hope there will never be a deficit?

A. I would not go so far as that. That is too much to hope for, for in a period of depression all the efficiency of railway management could hardly hope to offset the impact of a worldwide depression.

Q. Then would your subsidy come into effect?

A. Yes, that is where the so-called deficit subsidy would come into effect, and we think it should come particularly at a time like that, because when that happens the Western economy takes the greatest impact of the depression as the prices of our primary products fall. We are unable to absorb any increase in freight rates that the railways might legitimately expect.

MR. CARSON: Doctor, in connection with the so-called deficit subsidy, your suggestion is that every year that question should be considered by the Board of Transport Commissioners?

A. Oh, no, we hope that in most years it would be unnecessary.

Q. No, if the railways in any year felt that

they must have more than they get out of freight rates, then your suggestion is they must go to the Board of Transport Commissioners and have the amount of the deficit determined.

A. We would want the Board of Transport Commissioners to have full information as to the amount of the deficit, but we are not asking that the railway rates be frozen.

Q. No.

A. The Board of Transport Commissioners may say the whole of the amount should be taken out as increased freight rates. We would not have a murmur of complaint against it if the economy was able to stand it.

Q. But you do think, and your brief has a lot of suggestions that it cannot. But in every year, where the railways considered they had a deficit, they would have to go to the Board of Transport Commissioners to have the amount of the deficit fixed in order ----

A. That is then their option. If they absorb the deficit without murmur, it is so much better.

Q. No, it is involved in the very subsidy principle that it must go and have it fixed when they have a deficit.

A. No, they can absorb the deficit if they choose within surplus or deferred maintenance.

Q. Supposing they cannot.

A. Then they presumably will come to the Board and ask for an increase in freight rates, as they do now. The Board will then be in a position to decide whether part or all or none of the deficit should be absorbed by an increase in freight rates, and part or

all or none would be by a deficit subsidy. It would be a very flexible arrangement.

Q. Yes, that is what bothers me.

THE CHAIRMAN: If the Board decided that a certain proportion of the requirement should be provided by subsidy, what would be the next step then? Would Parliament, you might say, be compellable by the statute to grant the subsidy?

A. No, we don't think we could compel Parliament, neither would we like it.

Q. But the statute might say that the subsidy should be granted.

A. That the Board should recommend to the Government that the deficit subsidy be paid.

Q. Then what position would you have?

A. If Parliament in its wisdom decided that they should not pay the subsidy, then there would be no recourse but to take it up in an additional increase in freight rates.

Q. That would take some time. The Board hears an application for an increase and decides that the whole or part of the required increase should be furnished by Parliamentary subsidy. That goes to the Government, I suppose, and then in due course action is taken or it is announced that action is not to be taken upon it by the Government and Parliament. All that takes up time.

A. Yes, it does take up time.

Q. Then doesn't this create another question before the public, that here is the Board recommending a subsidy and here the Government says "No" or cuts it down. Is there no possibility then of the

Board under certain circumstances being inclined to disengage itself from the responsibility of increasing rates by simply saying "Well, it is not to be a subsidy", because then they are to get into a matter of policy, you see.

A. I would be afraid, if anything, the Board would send them away for fear Parliament would not pass or give the subsidy

Q. I see. Then is there much use in your subsidy if it is to come under application to the Board?

A. I think our two points of view might probably neutralize there.

COMMISSIONER ANGUS: Do you suggest the Board might give this percentage, X per cent. on the freight rates or a subsidy of so much?

A. I would rather they held back on X per cent. on the freight rates.

THE CHAIRMAN: Then there are all these things - I mean the suggestions on page 88 which you mentioned yesterday, at the bottom of that paragraph, public ownership of railways, which were considered for the solution of all these transportation problems?

A. No, that was just in terms of the whole transportation situation and the difficulties in which the railways find themselves from time to time.

Q. You see, your suggestions, in my view, do create new problems.

A. Yes.

Q. What is your suggestion? Either you need something or you don't.

A. The suggestion on page 88?

Q. Yes, you take the trouble, in the last paragraph of Chapter 9, to refer again to what you have already referred to on page 7 of your Outline.

A. Yes.

Q. You talk of Canadian transportation problems and you say that the solution of public ownership of all railways, that an investigation of that ownership as a solution might well be undertaken. What led you to that suggestion?

A. What led us to that suggestion particularly, as I recall it, was arising out of the discussion of the terrific effect trucking has made upon the railway revenue position and the constant threat which trucking (and that is no reflection on trucking or truckers) the constant threat which it creates for the railways, the genuine apprehension as to whether the railways can expect to be able to collect, particularly in certain parts of the Dominion, enough revenues to carry on.

COMMISSIONER ANGUS: Does that mean that with public ownership the deficit subsidy is automatic?

A. Of course that has been our experience with the one -----

Q. You have not any thought of it being a more economical form of operation, eliminating unnecessary processes?

A. We would like to see all these things examined. We didn't have the time or opportunity to go into them or the facts, to go into them ourselves.

THE CHAIRMAN: Anyhow, you suggest this public

ownership is the possible solution?

A. Yes, that it might be considered that is a possible solution.

Q. But you are not prepared to say that the Province of Saskatchewan advocates that to-day before this Commission?

A. I have no instructions to go any further on that point.

Q. You just put it in the brief?

A. Just to put this in the brief.

Q. All right, Mr. Carson.

MR. CARSON: When this deficit subsidy comes up for determination, that would require the Board to determine in the first instance what revenues the railway should have.

A. Yes, just as they have in a rate case.

Q. And would you agree, if we call it R dollars (R for revenue), would you agree that, taking R dollars in the case of the Canadian Pacific Railway, that the Board should allow a fair return on the Company's investment?

A. I have not any great quarrel with that point of view.

Q. They have got to have a fair return on investment in your opinion?

A. Yes, in view of what would happen in the commercial world.

Q. I see, in view of what would happen in the commercial world, in your opinion?

A. Yes, to keep going.

Q. Then in the situation as you described it in answer to the Chairman, with all these if's and but's,

the Board recommending something and Parliament doing something: do you think for a minute the Canadian Pacific could go into the money markets of the world and get money with all these if's and but's?

A. I don't think it would materially alter the situation from that prevailing under the present arrangements, because a rate case takes, as we know, a long time.

THE CHAIRMAN: Because what? I didn't hear.

A. Because appeals or increased rates take a long time now.

MR. CARSON: No, but under the present law, under the Railway Act, the railways are to get just and reasonable rates.

A. Yes.

Q. Yet a person who is contemplating the purchase of stock in a company or bonds of a company does so on the faith of that law. What do you think would happen if you did so, that you applied to the Board for something you might not get because the Board might say "Yes" and the Government might say "No"?

A. Then if the Government said "No", you would still have to go back to an increase in the rates. We would not say that you are to be starved, if Parliament in its wisdom, or unwisdom, said there was no money available, that you were scraping the bottom of the barrel.

Q. You would not look upon that as a very happy position from the standpoint of the managers of the railway, would you?

A. No, I have confidence in the Government in doing the right thing.

(At 1. p.m. the Commission adjourned to meet again to-day at 2.45 p.m.)

(Page 10200 follows)

Ottawa, Ontario,

November 25, 1949.

AFTERNOON SESSION

THE CHAIRMAN: Yes, Mr. MacPherson.

MR. MacPHERSON: My lord, there is just a correction that I would like to have Dr. Britnell put on the record. It is in connection with the payments under the International Wheat Agreement. He has checked those payments.

THE CHAIRMAN: What page is that on?

DR. BRITNELL: Oh, it is not in the brief, sir, it was in response to a question.

THE CHAIRMAN: I know, but I put down the figures.

MR. CARSON: That is the table that had the \$1.55?

DR. BRITNELL: Yes, that is the one it has reference to.

THE CHAIRMAN: But what page is it on?

MR. O'DONNELL: It is Table X, my lord, on page 22 of the printed brief.

DR. BRITNELL: The correction I wish to make is in connection with the prices paid under the British export contract. I stated in error this morning that the price during the first two years of the contract was \$1.60. In fact, the correct price is \$1.55 for the first two years of the contract.

MR. CARSON: That is, 1945-1946?

DR. BRITNELL: No. 1946-1947, and 1947-1948, \$2.

THE CHAIRMAN: Did the contract exist in 1945?

DR. BRITNELL: No. That is why I corrected Mr. Carson. It is for the 1946-1947 and the 1947-1948

crops; the price is \$2. I might also mention that the contract called for the delivery of 160,000,000 bushels for each of the first two years at \$1.55 as against only 140,000,000 under the last two years of the contract at \$2 price, so that the corrected price is rather less than \$1.75, which has been paid up; and the deficit will have to be met from more advantageous sales in other markets. That is all I have, my lord.

THE CHAIRMAN: Very well, Mr. Carson.

DR. G. E. BRITNELL, recalled.

CROSS-EXAMINATION BY MR. CARSON CONTINUED:

MR. CARSON: Q. I want to ask you one or two more questions about the subsidies which you propose. In the case of your so-called deficit subsidy, I want to see how this works out. Let us suppose that the Canadian Pacific, about October 1951 -- just taking that year for the purposes of illustration -- should foresee that its 1951 operations would result in a deficit, and that it required an increase in revenue. As I understand it, you would suggest that they must apply for a freight rate increase in the first instance.

A. Well, I presume they would. They might not, of course; that would be in the discretion of the railway company.

Q. Let us take it that the railway feels it must apply and must get relief?

A. Yes.

Q. Do you say that applying to the Board and making out first a case for need --

A. Yes.

Q. They make out a case for need of X dollars of total revenue per year.

A. Yes.

Q. And in those proceedings it would be the usual issue as between the railways and the provinces?

A. Yes, unless the provinces were all convinced of the reasonableness of the Canadian Pacific.

Q. Please let me know when that ever happens.

Then they have that large issue to be determined first?

A. Yes.

Q. And I gather as to your proposal, it is a very specific proposal. There would be a new issue to be determined, and that is whether, and to what extent, some portion of the needed income should be met by freight rate increases and some proportion by subsidy.

A. That is not a new issue in any part of the argument as between the Canadian Pacific and the provinces before the Board. That would be in the discretion of the Board itself to decide. The Board would accept --

Q. But involved in that would be the need of supporting evidence as to your proposition: How much could the public stand?

A. Well, that might come in.

Q. How could it be determined unless there was evidence?

A. It probably would come in.

Q. I think you must take out the "probably".

A. No, if the Board has an enlarged personnel.

Q. All right. Is the Board to decide it from gossip or to decide it on evidence?

A. Oh no. They would decide it neither on gossip perhaps nor necessarily on evidence. I think the information might readily be available in the Dominion Bureau of Statistics as to the level of current activity

and income and all the other indices of national prosperity or its absence.

Q. In that proceedings would the issue arise as to whether British Columbia is better able to stand more than Alberta or more than Saskatchewan?

A. I should rather doubt it, since it would be the general level of prosperity that would have to be taken into account.

Q. Do you suggest that would be so, that they would treat everybody fairly? Some sections of the country might be able to stand more than other sections.

A. Yes, but you just cannot adjust your machinery to take care of every detail of that sort. We have to be satisfied.

Q. It sounds all right, in a general way. But we have been through these cases and we know the kind of fire that gets started when they begin.

A. We have to be satisfied with rough justice.

Q. You have to be satisfied with rough justice?

A. That is, over the economy as a whole..

Q. Would that involve an inquiry as to how much could be obtained out of the foreign purchaser?

A. I do not think that would be necessary. I think you could depend, if it were wheat, that you would get as much as possible out of him.

Q. But you anticipate the kind of inquiry I have suggested?

A. Yes, but I do not think it would go very deeply into the nature of things, you could file certain D.B.S. material; but I quite see what you have in mind, that it might protract the hearings, but not materially protract them.

Q. "Materially" is a word with some scope to it?

A. Yes.

Q. It might turn into a very protracted case.

A. I would not anticipate that it could.

Q. If you superimpose that kind of inquiry upon an ordinary rate inquiry, taking the whole thing together, it would be a very long and protracted case.

A. Well, the last case was a very long and protracted case.

THE CHAIRMAN: What is that?

MR. CARSON: The witness says that the last case was a very long and protracted case.

Q. Without attempting to state how much longer it would be, you think it would be somewhat longer?

A. Yes, but it does not lend itself to the same sort of argument which apparently consumed so much time in the discussion on maintenance and deferred maintenance and all that sort of thing.

THE CHAIRMAN: Q. Would you slacken the procedure just because there is going to be a subsidy anyhow?

A. I would hope not.

Q. Should the Board not go through all the procedures it goes through today? You lay such stress on these matters of maintenance and depreciation; would they not have to do that first, and then determine after that, having done it all properly?

A. Yes.

Q. Then they would determine that the railways' need was so much?

A. Yes.

Q. And they would determine that in view of the conditions of the country that the freight rates should be, let us say, increased only to one-half of what was

requested.

A. Yes.

Q. And the other one-half should be paid in the form of a subsidy?

A. Yes, sir.

Q. But they would still have to go through all that very careful and elaborate process, to arrive at the railways' position.

A. Oh yes, very definitely, sir. But my point in answer to Mr. Carson is: that compared to the amount of time it takes to establish whether maintenance charges are proper and adequate, the amount of extra time taken to determine whether the ratepayer should pay the whole as additional freight rate, or only part of it, would be a very small part.

Q. You mean the shipper?

A. Yes, I mean the shipper.

COMMISSIONER ANGUS: Q. Is not one of the points in connection with the suggestions that are being made about ordinary methods available for information and inspection by the Board and so on, isn't the point of that that it would greatly shorten these inquiries?

A. That is certainly our hope; that if the Board had all this material available to it, then there would be no necessity for 150-day hearings, such as characterized the 30 per cent case.

MR. CARSON: Q. Then, Doctor, proceeding with the supposition that we have been imagining, that there was an interested party before the Board who was opposed to the subsidy and who was taking the position that the economy could stand the entire amount of the proposed increase, that would create an issue, would it not?

THE CHAIRMAN: What?

MR. CARSON: Q. That would create a specific issue?

A. Yes, if that interest existed.

Q. Yes?

A. If that interest existed and put its case forward.

Q. Yes?

THE CHAIRMAN: What would be the measure? The Board would say the increase may be 20 per cent, let us say.

A. Yes.

Q. And the subsidy should be so many dollars?

A. Yes, which would reduce the 20 per cent.

Q. Or the Board continues or fixes it as a standard rate and then puts a lower rate over and above which the railways could not charge and have the margin between the two measured as a subsidy?

A. I think that would be --

Q. Take the Maritime Freight Rates Act. How does it work? There is a 20 per cent deduction off.

A. Yes. It is in other cases where it really does not affect transportation.

Q. I am not talking of the machinery. There is a 20 per cent deduction off, and then there is a certificate given that the railways are entitled to so much.

A. Yes.

Q. And then the minister submits that to Parliament, and Parliament votes on it.

A. Yes.

Q. It all goes on automatically under the Act.

A. Yes.

Q. And you would have something similar to that procedure?

A. I must confess I had not thought out the machinery, that is, the mechanics of it. I think that would be a very satisfactory situation.

Q. Unless it is a hard and fast rule of statute that the Board may certify so much should be paid by way of subsidy --

A. Yes.

Q. Then, if the minister submitted it to Parliament, it would be voted right along, year after year.

A. Yes.

Q. How, unless that is done -- if you had the Board just saying: We grant so much freight rates, and we recommend a subsidy, with no statute behind it to make it hard and fast, then you would have a discussion.

A. Yes, but I think that could be obviated by some preliminary piece of legislation parallel to the Maritime Freight Rates Act, so that the minister could recommend payments in precisely the same sort of way, exactly as you suggest.

MR. CARSON: Q. Your proposal involves two subsidies.

A. Yes.

Q. A subsidy which is analogous to the Maritime Freight Rates Act subsidy, and you suggest your subsidy should be similar to that?

A. Yes, merely the mechanics, as the Chairman has indicated. The mechanics in terms of a separate statute, because, presumably, should this Commission recommend the implementation of that part of our suggested device, then there would be legislation which would empower the Board of Transport Commissioners to deal with it in that way.

Q. Just as the Maritime Freight Rates Act subsidy

is dealt with?

A. Well, in substance, yes.

Q. Let us come to this new proposal of a deficit subsidy.

THE CHAIRMAN: Q. It is a deficit subsidy that I was talking about.

A. Yes.

MR. CARSON: Q. You have not, from your earlier answers in the rate case, any idea as to what extent the public could stand the needed increase?

A. No.

Q. So I gather that the Board, after hearing all the evidence, should decide that there should be an increase, let us say, of 20 per cent from the railway standpoint, that they should have a 20 per cent higher rate.

A. Yes.

Q. Then you would have issue No. 1, and then there would be issue No. 2, the new issue as to how much of that 20 per cent should be borne by the rates and how much of it should be borne by subsidy.

A. Yes.

Q. And you would expect to emerge out of that hearing the 20 per cent figure and then perhaps a figure, for example, of only 12 per cent?

A. That is one possibility.

Q. That should be the amount of the rate increase.

A. That might happen.

Q. Let us say that 8 per cent should be borne by the nation.

A. Yes.

Q. And you have not suggested in any terms the sort of legislation which should take care of that

situation?

A. No, but as the Chairman suggests, I think, a statute would provide the mechanism for that.

Q. Well, a statute which would make it permissive or make it certain?

A. A statute which would make it permissive for the Board of Transport Commissioners to recommend a subsidy; and after the minister has accepted the recommendation and it has been voted by Parliament, then to pay it just as is done under the Maritime Freight Rates Act.

Q. You are suggesting that it is permissive, that the legislation make it permissive on Parliament to grant or not to grant a recommended subsidy?

A. Parliament always has that right. That is its great traditional right.

THE CHAIRMAN: Q. You speak of a statute. I presume this deficit subsidy might very well be incorporated into the Railway Act?

A. Yes, it might not be a separate statute at all.

MR. CARSON: Q. Would you agree that: Is it not also one of the attributes of a subsidy that once an area or a group is subsidized, then other areas or groups are placed at a disadvantage in relation to the subsidized area or group, and that the tendency is for other groups to ask for a subsidy?

A. Well, that is true, if they are all starting on the same basis. Our idea or concept of a subsidy is, of course, to restore them all to approximately the same basis.

Q. But once you introduce the subsidy principle, it is something which pretty well --

A. We are not introducing the subsidy principle.

Q. No, but in respect to this principle in there?

A. We are merely asking for an extension.

Q. I suggest you are introducing a new subsidy into transportation economics.

A. Not a new subsidy. It is an extension of the subsidy principle.

Q. It is something new. You have got two. You say one is analogous to the Maritime Freight Rates Act, and that another is a new subsidy.

A. There is nothing new in the Government of Canada having to subsidize the Canadian National Railways in its deficits. We are merely trying to give you the same advantage.

Q. Thank you. You remember Dr. Hope when he was examined by Mr. Covert regarding feed grain assistance, said that he was afraid if you pulled the plug on them, they would all be torpedoed once they have been adjusted to the subsidy.

A. Subsidies have been taken off.

Q. The thing is more apt to grow than to recede.

A. Do you mean with respect to the railways creating deficits for which they would ask subsidies?

Q. No. So far as extending this subsidy principle in transportation.

A. Oh. Well, you are speaking of a different subsidy. I thought we were talking about a deficit subsidy.

Q. I am talking about subsidies in respect to railways, for transportation.

A. That could not happen unless the Board of Transport Commissioners became derelict in their duties.

Q. This is the first subsidy which came in the Maritime Freight Rates Act.

A. Oh, I seem to remember some in the early history

of the Canadian Pacific.

Q. You mean where there was a contract made for construction?

A. Yes.

Q. Well, at least, don't you think this is somewhat different?

A. It was a subsidy.

Q. But it was not so described.

A. No, but a rose by any other name - - -

Q. I do not think we will solve anything at this stage of your cross-examination.

A. No, but the thing I am suggesting is that there is nothing new in the idea of subsidies in Canadian economic life and in transportation.

Q. I am only dealing with subsidies in respect to rates.

A. It is true there is the Maritime Freight Rates Act. It is well established.

Q. It has been there for twenty-two years.

A. Yes.

Q. And I am asking you if that is not a thing which is more apt to spread than to recede?

A. Well, it has been there for twenty-two years, and as far as I know there has been no change.

Q. You are asking to have it extended to Saskatchewan.

A. Yes. We have been rather belated.

Q. But that is what you are now doing?

A. Yes.

Q. And you have brought in the idea of another subsidy, a deficit subsidy?

A. Yes.

Q. And I suggest to you that with that sort of

thing, once it gets going, gets rooted, it is certainly likely to stay, and is not apt to recede.

A. I cannot share your alarm, sir.

Q. All right; but I suppose it is true that if enough epeople are subsidized, then each person is paying for the subsidy of the other person through taxes.

THE CHAIRMAN: Is it suggested that trucks should be subsidized?

MR. CARSON: I do not know, my lord. It has gone from the Maritime Freight Rates Act to Saskatchewan.

Q. Do you embrace the Prairie Provinces as well?

MR. FRAWLEY: "Embrace" certainly is the word.

THE WITNESS: Well, we cannot see how, administratively, it would work properly without embracing the other Prairie Provinces. They form a region.

MR. CARSON: Q. You made some reference in your examination in chief to the struggling sodium sulphate industry?

A. Yes.

Q. Will you tell us in a word or two, if you can, what the story is about that?

A. Well, there were three small plants which were able to operate for a few months or sometimes a year or two at a time. Then, as a result of the lowering of the price, 'or a small reduction of prices, they found themselves in the position with the burden of freight rates being what it was -- and that is no reflection, of course, on the railways -- they simply could not operate. For instance, the Government plant at Chaplin has found that at the present time 52 per cent of its total laid-down cost, or of its average total laid-down cost is made up of freight rates.

Q. You mentioned that in your examination in chief, when you said more than 50 per cent.

- 10213 -

A. Yes, and I have checked on it.

Q. When was that Government plant at Chaplin built?

A. I think it was about two years ago.

Q. Since the war?

A. Yes.

Q. The construction was commenced before the war ended, was it not?

A. No, I do not think so.

Q. Did the demand for sodium sulphate lessen on the conclusion of the war?

A. I do not think so. I think it actually increased. Oh, yes, it did. It actually increased!

Q. But has it not lessened somewhat since?

A. I do not know what the total demand for sodium sulphate is. I have not got the figures. But I rather doubt that it has lessened materially, as other areas of supply have developed.

Q. I thought there was some new refinery process developed which lessened the demand.

A. That may be.

Q. Have you heard of that at all?

A. No.

Q. I understood it was the new refining process which was brought in by International Nickel which had considerably lessened the demand.

A. That is always the hazard, of course.

Q. Before the Chaplin plant was built, how were the other three plants getting along?

A. Not particularly well. They would operate for certain periods.

Q. You spoke about the one at Bishopric?

A. Yes.

Q. You said that the plant was owned and operated

by Mr. Bishopric after whom the plant was named?

A. Yes.

Q. Your Mr. Bishopric has been making a living?

A. I do not know if he has ever disclosed that information. I think it has been a struggling proposition at Bishopric and the other places.

Q. You mean the three places: Bishopric, Gladmar and Palo were struggling propositions before the Government built its plant at Chaplin?

A. Yes.

Q. Then why did the Government build their plant?

A. They hoped that with modern techniques and with up-to-date machinery they might still be able to get their product into the markets. I am not suggesting that they have abandoned the idea at all. And I do not mean to suggest that the Government plant is insolvent or in liquidation. I merely used it to illustrate the burden of freight rates on our industry.

Q. I am curious to know if you feel that the Government plant is doing all right now.

A. I have not looked at its balance sheet.

Q. They may be doing all right, then?

A. They may be, but they would do a lot better with an extension of the Maritime Freight Rates Act.

Q. Let us keep to one thing. Are you able to tell the Commission -- I suppose it follows that these other three plants in existence before the building of the Government plant have suffered by the building of that Government plant?

A. I cannot think that the Government plant is sufficiently large a part of the total world production of sodium sulphate that it would undermine possibly all three privately-owned plants.

Q. What about the Saskatchewan supply?

A. That is a negligible factor.

Q. I am talking of what was in Saskatchewan before the Government plant was there.

A. That is neither here nor there.

Q. You do not think there has been an over-expansion of that industry in Saskatchewan?

A. No. I would like to see it expanded a good deal more; and if we could once get the freight rates down, I am confident that we could so expand it.

Q. Even more than now?

A. Yes, because we have the raw material there. It is one of the few things that we have definitely in our favour.

Q. But you will be competing with water-borne movements from overseas?

A. Yes.

Q. So there are difficulties in the way of that industry?

A. Yes, but in terms of freight rates.

Q. Yes, and in terms of location.

A. Yes, and one is a function of the other.

MR. CARSON: That is all. Thank you
Dr. Britnell.

COMMISSIONER ANGUS: Q. Would the second type of subsidy which you propose more or less recall the Mountain differential to life, I mean the subsidy which is analogous to the Maritime Freight Rates Act?

A. I certainly hope not. I hope the Mountain differential is buried under the Rocky Mountains forever.

Q. It is a ghost, so to speak?

A. It is a ghost, and that is what Mr. Carson has

in mind when he says that other provinces might want to come under the umbrella.

Q. But if the per capita income in Alberta were as high or higher than the per capita income in British Columbia, might not the umbrella look very enticing?

A. Yes.

THE CHAIRMAN: Q. Particularly on your deficit subsidy; have you thought of the possible effect of such a scheme on other modes of transportation such as trucks? Would it fortify the railways in their competitive capacity?

A. I think it might in some measure, although I think the railways generally have such a large competitive margin over the trucks in the Prairie area, and particularly on the long haul, that it would not be a very significant factor.

THE CHAIRMAN: Very well. Does anybody else wish to question Dr. Britnell.

MR. O'DONNELL: I have a few general questions, my lord.

CROSS-EXAMINATION BY MR. O'DONNELL:

MR. O'DONNELL: Q. Dr. Britnell, I did not quite catch what you said this morning about the population of Saskatchewan declining.

A. The answer I gave was that over the last eighteen years we have lost. I should make a clarification: we have lost 60,000 of our population plus all the natural increase, plus all of the immigration into the province which, in round numbers, adds up to about 250,000. Some people attribute that entirely to the depression. That, of course, is not correct. Some of it is represented by the mechanization which has moved people off prairie farms and into tractor factories and

into oil wells, and on to the railways to provide this tremendous increase in freight which comes from the mechanized agriculture.

The point I was at particular pains to make clear this morning was that even in the last two or three years we are still losing more than half of our natural increase, which would indicate that Saskatchewan is not considered to be as economically -- that circumstances are not as economically favourable to earning a living there as in most other parts of the country.

Q. But that trend has checked up in the last three or four years?

A. No. There is no particular trend or change in trend that is revealed in the statistics.

Q. What I have in mind is this statement from the "Budget Speech" of your provincial treasurer this year, which is Exhibit 6. And at page 13 thereof, under the heading of "Population Increases", I read:

"Higher levels of economic activity in Saskatchewan have had a direct effect on population figures. The leader of the opposition and his party will be pleased to know that they have somehow been misled about Saskatchewan's population leaving in hordes. Saskatchewan's population, rather than having declined during the first four years of C.C.F. government, increased by 9,000 persons. In 1945 our population was 845,000 persons; in 1948 it was 854,000. These figures are from the Dominion Government -- from the Dominion Bureau of Statistics." So the population has in fact considerably increased in the last few years, as is stated there?

A. Yes, but it has not increased as much as it should have increased. It should have increased far

more than that because if everybody had stayed there, then the natural increase in population would have resulted in figures at least twice, perhaps three times as great as that.

Q. But everybody does not stay in the particular place he happened to be born in. And if we looked at certain other parts of the country we might find a shift in the population comparable to those which may have taken place in Saskatchewan.

A. Except that in all other parts of the Dominion the shift is in the opposite direction, there has been an increase in population.

Q. That is what I had in mind.

THE CHAIRMAN: Q. What about Manitoba and Alberta?

A. They have been pretty well holding their own, I should say. I think I am correct in this: that Manitoba in the last few years has been holding its natural increase; and Alberta, as a result of its expansion has been holding its natural increase as well as attracting people from outside, even from Saskatchewan.

MR. O'DONNELL: Q. But the trend, generally speaking, has been away from the farm in the last few years towards urban centres?

A. Yes.

Q. And that trend is common right across the country?

A. Yes.

Q. Now would you be good enough to turn to page 16 of your printed brief. There, on the basis of Table IV, which is shown on page 16, and the statement which appears at the top of that page, I read:

Editor, The Journal of the American Medical Association:
I have the honor to acknowledge the receipt of your issue of April 22, 1919, and to thank you for the interest and attention which you have given to the subject of the "Medical Education of the Physician."

I am glad to hear that the "Medical Education of the Physician" is a subject which is of interest to you. I am sure that the "Medical Education of the Physician" is a subject which is of interest to all of us who are engaged in the medical profession. I am sure that the "Medical Education of the Physician" is a subject which is of interest to all of us who are engaged in the medical profession.

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". . . over the last ten years she --"

"She" means Saskatchewan.

-- has produced nearly 60 per cent of the total prairie wheat crop."

I think you told us that the Prairies produced 95 to 96 per cent of all the wheat in Canada?

A. I think that is correct.

Q. And that wheat, when it moves by rail, moves at the Crows Nest rates?

A. Not all of it that is moved out there does. Some movement takes place inside.

Q. That is what I mean. Saskatchewan, as the largest producer, must get the greatest benefit from the Crows Nest Pass rates on that movement?

A. Yes. I think that would follow.

Q. Now you will remember in the Sirois Report, Volume II, page 193, I read:

". . .it may be said with reasonable accuracy that the average revenue received per ton mile for the railway haulage of wheat is about one-half cent and, whilst the average haul is somewhat over seven hundred miles, the average revenue per ton mile is only about half that received for all railway traffic."

A. Yes.

Q. I understand that the Canadian National Railway System average return for last year was about $1\frac{1}{4}$ cents.

A. That was 1948.

Q. Yes, 1948, which was last year, and it was about 1.2 cents before the 8 per cent increase was put up. And on that basis the return on wheat payments which the railways got by way of freight on wheat of the amount I am speaking about, would amount to an

average or, rather, would amount to about 40 per cent of the system average. That is about correct, if my arithmetic is right.

A. On the basis of those two figures, I would certainly suggest it is.

Q. That constitutes, in so far as wheat is concerned, a reduction of about 60 per cent in the average ton mile revenue on the Canadian National system. That again is a matter of arithmetic?

A. Yes.

Q. And with that fact in mind, that ^{indicates} all wheat and wheat products which move on the Crows Nest Pass rates out of Saskatchewan are moved at a reduction of about 60 per cent on the system average on the Canadian National Railways.

Would you now turn to page 19, Table VI, which is headed, "Estimated Cash Income from the Sale of Farm Products in Saskatchewan, 1926-1948"? The last line of figures are for 1948.

A. That is correct.

Q. You show there a table estimating the cash income from the sale of farm products ^{with} a total of \$537 million.

A. That is correct.

Q. And of that sum, \$17 million comes under the heading of "Certain Government Payments"?

A. Yes.

Q. Therefore, the total left, apart from the \$17 million, is \$520 million. And of those \$520 million, going over to the first column, under the heading of "Wheat", \$292 million constitutes the wheat cash income?

A. Yes.

Q. And that, roughly, amounts to about 56 per cent of the total cash income of \$520 million.

A. That looks about right to me.

Q. Now, if you will look at the first column, "Wheat", and the next column, "Coarse Grains and Flax", I think you will agree that the total dollar value of them is \$358 million.

Q. That looks right to me.

Q. And that all moves by rail at the Crows Nest Pass rates.

A. Not necessarily, particularly coarse grains; they may not.

Q. Some of it may stay there, and some of it comes out.

A. And the flax goes into the crushing mill, some of it, but by no means all of it.

Q. Whatever slight adjustment may be required as to that --

A. There would be a pretty substantial adjustment required in column 2, but very little in column 1.

Q. We could easily get that.

A. Yes.

Q. And on the face of it, those two items constitute \$358 million; and in so far as any of it moves at the Crows Nest Pass rates, it brings a return of about one-half cent per ton miles to the railways.

A. That is on your statistics.

Q. And the next two columns, "Cattle and Calves", \$80 million, --

A. Yes.

Q. And "Hogs", \$21.5 million, form a total of \$101.5 million, and they move, so far as they are shipped out of Saskatchewan, at rates which are depressed rates

and which have prevailed on cattle and livestock.

A. On which?

Q. Depressed rates.

A. Oh.

Q. Since about 1921, in so far as you did not happen to remember.

A. I remember quite clearly. I had to get used to the idea that they were "depressed rates".

Q. I know. And if you will look at the forty per cent case, the railways were authorized to increase those rates 40 per cent east and 35 per cent west.

A. Yes.

Q. During the drought years the railways took off those increases.

A. Yes, we gave them full credit for it.

Q. But in so far as they move, they move at those very depressed rates.

A. I quite agree that they are depressed because I took the trouble to look back to see what had happened between 1916 and 1918. Under a number of tariffs the railways got very substantial adjustments upward on cattle in that period.

Q. But after 1920, when the railways had been authorized to effect increases of 40 per cent and 35 per cent, they subsequently took them off and they were never restored.

A. That is true.

Q. I understand you do not have it in mind?

A. Well, I understand. I took the trouble to look up the tariffs.

Q. And the Board in 1920 thought that the just and reasonable rates concerning livestock and packing house products should be 40 per cent more than they

were, and they gave judgment in the 40 per cent case.

A. Yes. But I do not think you would hold that they would maintain those rates from that day to this.

Q. The record shows what has happened. And I have an exhibit which was produced by Mr. Hannam, showing the curve or graph and the way those rates went up 40 per cent in 1920, according to the Board's authorization, and went back to where they had been prior to the increase and that for the rest of the period they have remained there.

A. We can agree on that.

Q. So, on Table VI we have \$358 million subject to the estimates you gave, plus \$101.5 million, which move either on the Crows Nest Pass rates or on these depressed livestock rates. I see you do not like the words "depressed rates".

A. No.

Q. As you said: "A rose by any other name would smell as sweet."

A. Yes.

Q. And that leaves only those columns under the heading in table VI: "Dairy Products", \$27.5 million; and "Poultry and Eggs", \$16 million; and "All Other Products", \$17 million, making a total of \$60.5 million, out of \$520 million, which move out of Saskatchewan, in so far as they go out of Saskatchewan, on normal rates.

A. On standard rates, yes.

Q. We shall avoid the words "depressed rates" in order to save your finer feelings.

A. Yes.

Q. That makes a total of \$459.5 million out of \$520 million, which you have available from the produce

they would maintain their belief that day to this
and which was produced by Mr. Bennett, showing
that in 1908, according to the Bureau's calculation
and with no where there was no reason to the
increase and that the rest of the world they had
remained there.

4. We can show on that
5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100. 101. 102. 103. 104. 105. 106. 107. 108. 109. 110. 111. 112. 113. 114. 115. 116. 117. 118. 119. 120. 121. 122. 123. 124. 125. 126. 127. 128. 129. 130. 131. 132. 133. 134. 135. 136. 137. 138. 139. 140. 141. 142. 143. 144. 145. 146. 147. 148. 149. 150. 151. 152. 153. 154. 155. 156. 157. 158. 159. 160. 161. 162. 163. 164. 165. 166. 167. 168. 169. 170. 171. 172. 173. 174. 175. 176. 177. 178. 179. 180. 181. 182. 183. 184. 185. 186. 187. 188. 189. 190. 191. 192. 193. 194. 195. 196. 197. 198. 199. 200. 201. 202. 203. 204. 205. 206. 207. 208. 209. 210. 211. 212. 213. 214. 215. 216. 217. 218. 219. 220. 221. 222. 223. 224. 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proceeds of the sale of your farm products; and on my computation that leaves about 12 per cent of that available traffic to move on normal rates; while the balance of about 88 per cent moves at either the Crows Nest Pass rates --

A. The balance moves at relatively full standard rates on which we heard that about only 1 to 2 per cent in the whole Dominion move.

Q. No. You have got a lot of commodity rates and other rates on other products. There are a lot of other things in there which are not necessarily standard class rates at all.

A. No.

Q. I believe you would agree with me that the situation as we have developed it in Table VI would be something which should be borne in mind when endeavouring to assess the so-called disadvantages of Saskatchewan freight ratewise as compared to the rest of the country.

A. We concede that we have had partial compensation under the Crows Nest Pass agreement.

Q. You have had a very substantial part in them. Have you any idea of the value of the Crows Nest Pass rates to Saskatchewan? Have you worked that out?

A. No. But we do know that for some time the rates were actually lower than the Crows Nest Pass rates.

Q. That was a long time ago?

A. Some time ago, yes.

Q. You may not have been here last week when I read a passage which apparently was accepted for the purpose of being mentioned by Premier Campbell, when he said, as reported in the Alberta Wheat Pool Bulletin: that if

the Crows Nest Pass rates for grain and grain products were to be restored to the administration of the Board of Transport Commissioners, it would mean about \$30 million a year in freight in the Prairies.

A. I am very sorry that I did not notice that statement. I would be greatly interested to know how it was arrived at.

Q. Mr. Moffat told us it was arrived at on the basis of accepting certain figures which the Canadian Pacific provided. And we had another estimate from Mr. Matheson of another figure somewhere in that neighbourhood. But, in any event, that is something which should be borne in mind when looking at disadvantages as contrasted with advantages.

A. We had this partial compensation.

Q. Yesterday you will remember that Dr. Angus asked you this question in Volume 52 at page 10,043:

"Commissioner Angus: Is it your view that all discrimination should be prohibited?

A. I don't think you could go that far by any means. I think you want to go farther in the general direction of equality but we don't think that is possible."

A. I think you have got to leave some flexibility.

Q. There is a certain amount of rough justice in the thing, as you said a few minutes ago in reply to Mr. Carson. Now, assuming you asked the Board to conduct an investigation into this matter, or asked our Commission --

A. Yes.

Q. And assuming the Commission investigation showed that the Board of Transport Commissioners has, under its administration through the years, brought about

a situation whereby it has achieved substantial parity?

A. Yes.

THE CHAIRMAN: Substantial what?

MR. O'DONNELL: Q. Substantial parity of levels within limits of this rough justice as between east and west, taking all rates, freight rates revenue and service performed in each region, what would be the position of Saskatchewan? Would the province be satisfied with the present rate structure?

A. As far as the rate structure is concerned, I take it we would agree that within the limits of the rate structure we could not go very much further. That is different from saying that we agree with the level of rates should constitute.

Q. I put it to you that all rates and freight revenue and services performed being considered, and it being demonstrated that the level, in so far as it is possible to get anything like an absolute level -- you indicate that would be satisfactory?

A. I think that is as far as you could go.

Q. I thought the province advocated an entirely new rate structure which would necessarily involve, which would necessarily increase rates in the west as well as some reductions in some rates.

A. I think we indicated we are ready to consider a sort of rough equality.

COMMISSIONER INNIS: Q. Are there any rates which are not discriminatory?

A. I do not know.

Q. The very essence of rates involves discrimination, does it not?

A. I was trying to think of a rate which was not discriminatory.

Q. I wondered if Mr. O'Donnell emphasized discrimination and was forgetting that the real point was the unjustness or unreasonableness of discrimination?

MR. O'DONNELL: I referred the witness to the answer he gave to Dr. Angus, when he said that he did not think it was possible to remove all discrimination, not merely unjust discrimination, but all discrimination.

THE CHAIRMAN: I thought we were talking about regional discrimination.

COMMISSIONER INNIS: Q. I thought that both of you thought there was some situation in which there was absolute equality and fairness.

MR. O'DONNELL: I do not think there is any in which there is absolute equality. That is the rough rule which the Doctor speaks of.

THE WITNESS: That is the way I was trying to file a caveat owing to the fact that we would not accept a rate structure which reflected or in which there was no suggestion that there would be fair rates in western Canada under those conditions, and that equity would not bring about justice.

MR. O'DONNELL: Q. Well, in so far as there is any unjust discrimination, you would want it to be removed?

A. So far as possible, yes.

Q. Would you be satisfied to leave that matter with the Board of Transport Commissioners under the rule which says to remove such unjust discrimination?

A. With the tightening up of the Act and an increase in personnel which we asked for, yes.

THE CHAIRMAN: Q. You just said that equity

would not bring about justice. Do you mean equity alone?

A. Yes, equity alone. We have got to have some other compensation for national policy.

MR. O'DONNELL: Q. You will agree with me that in the early stages of your application to the Governor in Council for the establishment of this Commission, the request was for a Commission which would look into the situation and endeavour to find what equity there should be; and that there should be equalization. Equalization was the cry at that stage, was it not?

A. That application was made by the seven provinces getting together. We should be allowed to have some individuality.

Q. So you would differ from the position taken by Alberta generally, and ask for equality in rate levels?

A. We have asked for equality as far as it is possible. I do not think there is any appreciable difference between our position and that of Alberta.

Q. I see.

THE CHAIRMAN: Q. Do you consider equity to be a measure of justice?

A. Yes.

Q. Even for Saskatchewan?

A. No, not as a measure of justice, perhaps, but in terms as we, I think, have pointed out.

Q. It would be a move in the right direction?

A. Yes.

Q. Even for Saskatchewan?

A. Yes. As we say in the brief, I think it has the virtue of simplicity; you can thus tell when there are deviations from it and measure the thing. It eases the problem of the Board of Transport Commissioners in measuring the differences.

MR. O'DONNELL: Q.. How wide a variation would you be satisfied with, let us say, percentagewise, in the rate level when you say: We agree that there cannot be absolute equity? Would you consider something in the neighbourhood of 2 per cent or 3 per cent?

A. I do not think you can measure it as finely as that, because there are so many factors which come into it, I mean speaking statistically and from the point of view of accurate statistical measurement.

Q. Just a few days ago we had Mr. Moffat here, who told us of the theory which was followed in connection with Exhibit 326. He said that he had arrived at the computation of the east as against the west and that there was a difference at the present time of rates being considered of, he said, 2 to 3 per cent; and I think later on he said 3.2 per cent. Would you consider that sufficiently close to fall within the limits of this rough justice measurements that we have both spoken of?

A. It certainly is getting pretty close to it.

Q. It is pretty close.

A. Yes. If you would straighten out our town tariffs we would probably settle for it.

Q. Town tariffs are in there, in that figure of the rates.

A. If you would give us the town tariffs prevailing in the east as against the rates prevailing in the west.

Q. And the rates are now 2 or 3 per cent --

A. Yes, you would get a lot more equity.

Q. Have you examined or studied the Manitoba rates?

A. I have looked at them.

Q. Well the first Table is Appendix A to that exhibit. There are only four figures I have in mind.

THE CHAIRMAN: What exhibit is that?

MR. O'DONNELL: Appendix A, my lord, to the brief of Manitoba. It is a Table based on Canadian Pacific Railway figures of ton and ton miles and revenue, and the Commission will remember that it is divided into east and west. There are four figures under the line "Total". Under the heading of "Revenue" on the Eastern Line is a figure of \$141,640,755, and under the column of tons 1 mile of the Eastern Lines in thousands is the figure 11,148,631. Under the Western Lines "Revenue" it is shown as \$145,507,505, and the tons 1 mile in thousands is 14,148,571.

Q. By way of indicating to the Commission can you, Dr. Britnell, give the relationship, the degree of proximity as between the east and west lines on the basis of figures, I submit that they show, as a matter of arithmetic, that for 3 percent. more money in all rates but in the west as against the east, 27 more units of work had to be done in the west as against the east to get the revenues?

A. You introduced a new variable there, 27 units of work.

Q. 27 percent. If you compare the work in the east with the west you have to do 27 percent. more units of work to get 3 percent. more revenue?

A. There are no fills and cuts in the west as against the heavy snows of central Canada.

Q. All I am asking, Doctor, the Western Lines as against the Eastern Lines proved that the ton 1 miles carried in the west were 27 percent. greater than those carried in the east?

A. Yes, I would reject any implication that it meant 27 percent. more work when you put 80 cars of wheat on one train

and go along 30 miles of track.

Q. Let us delete the units of work and stick to tons carried one mile. The tons carried one mile in the east are 27 percent. more than in the east. The figures mean that per ton carried one mile it cost 27 percent. more in the west to get 3 percent. more revenue. That does not indicate anything to you?

A. I would submit that it is meaningless unless you tell us how much that cost to move it in the east and in the west.

Q. Well, it is something possibly that may be looked into, but it is based on 27 percent. more ton miles are carried in the west than in the east with 3 percent. more revenue?

A. I would not accept these kind of statistics on this basis. I don't think you can.

Q. Do you consider that density of traffic is a factor to be looked into when comparing regions and levels?

A. Yes, that is one factor.

Q. If you happen to remember the evidence in the 21 percent. case, I think the figures mentioned were that the density of traffic in the west was about 55 percent. less than it is in the east?

A. I do not remember that. I have looked in the map at the back of the C.N.R. brief.

Q. With that fact in mind, that on the face of this exhibit, Appendix A of the Province of Manitoba there are those variations, and I would remind you^{of} Mr. Moffatt's conclusion on his method of working out the disparity which was about 23 percent. or 2.2 percent. difference, would you think that would have to prevail as between the east and the west?

A. I think we stated in the brief we were much closer today than we were two years ago, but we are afraid that there is

no stability in that position.

Q. What you are worried about is the future more than the present?

A. Yes.

Q. At the present time your economy being of the best and your prosperity being of the best as indicated by the tables and by the evidence that we got from Regina from many people who came there, it is not the present so much that you fear but the future?

A. Yes.

Q. You have asked the Commission to look into this matter, and if they were to lower this within 2 or 3 percent., you would consider that sufficient?

A. No, we would still want an extension of the ton tariffs to western Canada.

Q. If the extension of the ton tariffs was given to the extent that it gives you better than parity within reasonable limits, you still insist in having that?

A. We want a fair deal.

Q. So much for that aspect of the matter. Would you, please, turn to page 87 in your brief where we were talking about competitive rates? I think you said there in part that you wanted some affirmative assurance that the traffic involved will not be carried at a loss?

A. Yes.

Q. And then you again said: "Implicit^{is} in the foregoing, of course, a review and determination on the basis outlined on the propriety of existing competitive rates." You make those two statements there?

A. Yes.

Q. To your knowledge, and I don't know whether you have looked at it or not, Doctor, but aren't the Crow's Nest grain rates at least 50 percent. lower than any competitive rate

in Canada?

A. I do not know; I have no information on that.

Q. You have not made a study of that?

A. No.

Q. Have you looked, by chance, at Appendix 46 of the brief of the Maritimes Board of Trade?

A. I can't remember it by number.

Q. It shows about 200 competitive rates in eastern Canada?

A. I remember it very vaguely.

Q. I am informed that none of these rates sent out in Mr. Matheson's exhibit on that page are lower than 1 cent per ton mile and many of them run from 2 to 3 cents per ton mile, and I ask you to bear in mind that the average per ton mile for hauling wheat was about one half a cent?

A. Those were your statistics.

Q. Those were the statistics of the Sirois Report?

A. Yes.

Q. I am asking you how you suggest that the West is subsidizing the East under these circumstances?

A. For the simple reason that it makes a good deal of difference what commodities you are hauling and also what the extent of the haul is. The revenue per ton mile is absolutely meaningless without some relationship to the cost of moving it and to the area through which you move it.

Q. If you bear in mind that insofar as the Canadian National is concerned the revenue per ton mile is about a cent and a quarter and that is all those competitive rates show, I am informed, nothing less than one cent per ton mile, would you say that it doesn't negative your suggestion that the West is subsidizing the East?

A. You would have to take it down much more than that.

Q. In any event, if my information be correct that those

rates in that exhibit, Appendix 46 of the brief showing that competitive rates as compared with the average per ton mile rate on the C.N.R. show that they are 200 or 300 percent. greater than the system averages and that they are very considerably greater than the one half cent per ton mile on wheat?

A. Yes; I think you would have to look at the other side. You might get quite a different net result.

Q. Now, do you know of any rate in the West which has been made to meet an alleged deficiency in the East that would go against your suggestion that the West is subsidizing the East in respect to competitive rates? I ask you if you know of any rate or group of rates which have been put higher than they were to meet a deficiency in the East?

A. I could not pick out any special case. You would have to go to the area in which the railway monopoly exists to recoup yourself.

Q. Do you know of any competitive rate like that in the East?

A. I have no knowledge of rates.

Q. We, I think, can agree that the Eastern competitive rates do benefit the West?

A. Competitive rates in the East do benefit the West.

Q. And the revenues which they provide do benefit the West?

A. Sometimes.

Q. And the West also gets the benefit of those on its traffic from West to East, and vice versa?

A. Yes.

Q. I have in mind this extract on page 62 in the 21 percent. case: "While in many instances on certain traffic moving between points on the Prairies, the rates there are lower than on the same traffic in Ontario-Quebec, in other

cases the reverse, of course, is true. The general rate level as a whole in Ontario-Quebec is below that in the Prairies and the reasons and justification therefor have been set out at great length in various Judgments of the Board, the fullest statement in this connection being contained in the Judgment in the Western Rates Case : (17 C.R.C., p. 123).".

A. What year was that?

Q. 1948.

A. But we submit that conditions have changed materially. since that time.

Q. Bear in mind that that report in the 21 percent. case was just a few months ago?

A. I think they might change that view if they added technical personnel to bring in more information.

Q. The Bureau of Transport Economics was headed by Mr. Lessard, now Deputy Minister of Transport?

A. Yes.

Q. He is a very competent man?

A. Yes, I believe he is a very competent man.

Q. And that he has been there for about ten years.

A. Yes.

Q. It is not something that happened the day before yesterday?

A. No, after all, there is a limit to what one man can do. I think he was grievously burdened.

Q. He was the head of the Bureau?

A. Yes, but he did not have much help.

Q. Were you ever there?

A. Yes, but I never noticed much help around.

MR. COVERT: My lord, I do not think we can go along like this. The reporters cannot get down two people talking at the same time.

THE CHAIRMAN: Yes, that is right. I do not know how

the reporters can hear you at all; I could not.

MR. O'DONNELL: Q. I will read this extract. Going back to page 62, the Chief Commissioner continues: "Lower rates in Eastern Canada are compelled by water competition, combination of water and motor truck competition, as well as rates established by the United States lines, particularly so far as export and import traffic is concerned. The water competition extends throughout Eastern Canada from its eastern coast to Fort William and Port Arthur. These compelled lower rates have resulted in benefit to Western Canada for the reason that traffic moving between Eastern and Western Canadian points obtains the benefit of such lower eastern rates for the portion of the haul within Eastern territory, with the result that rates to and from points in Western Canada far removed from the water obtain the advantage of the compelled rates for the Eastern portion of the haul." That is the end of the quotation.

Q. I think we agree that these competitive rates do benefit the West within the limits that are showing there?

A. During the period of navigation.

Q. While you said at page 7 of your brief that Saskatchewan has neither inland or ocean water facilities, or rather that neither inland or ocean water facilities extend toward the plains area, and these competitive rates do?

A. Yes, we admit there are several places that have an effect.

Q. And likewise that in the plains area the Crow's Nest rates have an effect?

A. Yes, we mentioned that, too.

Q. Just a few words about subsidies, and I will be through. I think, my friend, Mr. Carson and the Commission have discussed with you particularly this deficit subsidy you speak of. I would like to call your attention to the other one?

A. Yes.

Q. As I read your brief, in the first instance, there was one subsidy suggested only yesterday when I suggested to you that, as an after-thought, the single subsidy was changed to the plural?

A. No, if you will read the brief about the middle of page 95 of the printed brief, and at the bottom of page 127 of the mimeographed brief you will see this: "In considering the form which a subsidy may take the distinction should be kept in mind between the device employed under the Maritime Freight Rates Act and a payment made to remove a deficit resulting from transportation operations. The former is very simple and results in no change in the balance sheet of the railway. The latter will depend on the accounts of the railway and may fluctuate from year to year. It is probable that both devices will be necessary if the recommendations made in this Submission are adopted.". I think that is as far as I need to read. I think it establishes that it wasn't something that we scared up since we came to Ottawa.

Q. You put this flyleaf?

A. By way of interpretation.

Q. It is something you scared up since the Sirois Commission?

A. Of course, ^{during} these series of rate cases and this Commission, we have had ten years of reflection.

Q. After ten years of reflection you thought you would try to get a little more by recourse to both of these types of subsidies.

A. When the Sirois Commission came up the Maritime Freight Rates Act had been in operation for about ten years and it wasn't completely proven.

Q. You had not seen how effective it was?

A. No.

Q. You go the Maritime Freight Rates Act type of subsidy one better?

A. Yes.

(Page 10245 follows)

Q. But you would have it apply for the entire haul both east and west?

A. Yes.

Q. In and out of Saskatchewan?

A. Yes, that is right. We feel that in that way only reasonably adequate compensation can be made.

Q. And you have over and above any such subsidies as that, this other very expensive subsidy provided which has been provided through the many points of the Crows Nest Pass rates?

A. I won't put it as a very expensive subsidy. We have this statutory safeguard.

Q. Let us leave it at that. And the dollar value of the statutory safeguard ---

A. I have never seen balance for the 52 years.

Q. I haven't either, but the assessment made as recently as several weeks ago ---

A. For a year ago.

Q. Come to thirty million a year.

A. Yes, we have to take the bitter with the sweet.

Q. And your sweet has been about that amount during the years, or whatever amount it provided.

A. No, I don't think ^{so} for some years after the rates came into effect the rates were actually lower than the Crows Nest rates.

Q. But you have had Crows Nest rates since 1925.

A. Yes, we had them back since 1925.

Q. And you had them before that, but I am not going into that.

Q. And you say then, through the years, that the Maritime Freight Rates Act has been in operation in the east?

A. Yes.

Q. And I suggest to you, as a matter of common knowledge, the existence of the subsidy or whatever else you wish to call it, that is provided by the Crows Nest rates -----

MR. MacPHERSON: We object very strenuously to the Crows Nest rates being referred to as a subsidy.

THE CHAIRMAN: Being referred to as what?

MR. MacPHERSON: As a subsidy. My friend, Mr. O'Donnell is insisting in the cross-examination of the witness, in branding the Crows Nest rates as a subsidy.

MR. O'DONNELL: What would you like me to call them?

MR. MacPHERSON: Just Crows Nest Pass rates.

MR. O'DONNELL: You had that all the time that you had the Maritime Freight Rates Act.

THE CHAIRMAN: I think it would be better, since the word "subsidy" is used in legislation ---

MR. O'DONNELL: I thought it was all right. Mr. MacPHERSON didn't like it.

THE CHAIRMAN: Isn't it better not to use it just as a castigation?

MR. O'DONNELL: I am not castigating it.

MR. MacPHERSON: It is not used merely in the railway, I mean the Crows Nest rate.

THE CHAIRMAN: No, I am talking of the Maritime Freight Rates Act.

MR. MacPHERSON: That is different.

THE CHAIRMAN: But I say, since the word "subsidy" has a fixed meaning, and we know what "subsidy" means and that Act exemplifies it, I think it would be better for Mr. O'Donnell not to confuse us later on in our report of it.

MR. MacPHERSON: My lord, what I was objecting to was the persistence in referring to the Crows Nest rates as a subsidy.

MR. O'DONNELL: I didn't do it purposely.

MR. MacPHERSON: No, of course. You are the most innocent man in the world.

MR. O'DONNELL: I have the greatest appreciation of your kind remarks.

MR. FRAWLEY: I think it should be expunged from the record, the last hour.

THE CHAIRMAN: I think somebody else referred to the Crows Nest rates as an advantage. That would not hurt your feelings?

THE WITNESS: No, it is a comfort at least.

MR. O'DONNELL: And in the cold winter nights it is a very great comfort.

A. Yes, we know where we are going to be on next year's crop, on freight rates at least.

Q. I think I have forgotten to mention to you one aspect of your Maritime Freight Rates type of comfort, and that is that it would apply in the prairie regions.

A. Yes.

Q. So you go the Maritime type of comfort one better, or two better possibly because you have it applying to the haul going in and out and eastbound and in the prairies as well.

A. Yes.

Q. All the time concurrently with the suggestion you now make, the Crows Nest comfort would likewise be operating.

A. Yes, I am glad you brought that up because

it gives me the opportunity to say that all we had in mind there was the administrative device. We do not say you can operate the subsidy on any other basis

Q. Don't use that word.

A. No, it is all right to apply the word "subsidy" there. We prefer "compensation" but we will call that a subsidy. We looked towards something corresponding to a Diamond Junction, and we felt the only Diamond Junction was Halifax on the east and Vancouver on the west.

Q. You have St. John's, Newfoundland though.

A. It was a matter of ^{an} administrative device, and if the Commission think (it is possible they may think) that 20 per cent. is too much, well, the percentage has the great advantage that you can adjust it ----

Q. It is a nice round figure.

A. Without disruption. to any part of the economy. There is flexibility in the percentage.

Q. Easy to work?

A. Yes.

Q. And a very nice round figure, 20 per cent.

A. Oh , no.

Q. You said something less than that maybe?

A. We will leave that to the Commission.

Q. Did you bear in mind, when you were advising this ~~devise~~ that the Maritime Freight Rates Act had in no small measure been used or resorted to - that since 1912 or 1912 until 1921, 1922 and 1923 there was a considerably greater increase in freight rates in the Maritimes than there had been elsewhere in the country? You remember the figure 192?

A. Yes.

Q. As against the figure 155?

A. Yes, we are not picking it up for the same reason. It just appeals to us as a piece of machinery that has been worked out, stood the test of time and is there ready to hand to be applied to our situation.

Q. Well, on the basis that you are asking that it would apply, the chances are fairly good, aren't they, that it would amount to a very considerably greater comfort than the amount of dollars which is required to comfort the Maritimes?

A. Well, that is only to be expected, because our population is very much greater, our remoteness is that much greater; our need, with all deference to the Maritimes, we submit, is somewhat greater also. So that you have three factors there to consider.

Q. Of course I don't know how many of the Maritimes have read the record of the exhibits which we picked up in Regina

A. The budget speech again.

Q. And particularly Exhibits 6 and 7 - the Agricultural Report and a few more of those. At the present time, however, you tell me, or you told me some time ago, that it is not the present that interests you so much as what might happen in the future.

A. Yes.

Q. You are worried about something which may or may not happen?

A. I think I gave you the figures of the relationship between or trend of farm prices and farm costs, and we are apprehensive of the immediate future.

Q. And at this time you are just worrying using a considerable degree of good business judgment in anticipation of something which may not happen or which may happen?

A. I wish I could believe that it would not happen.

(Page 10256 follows)

Q: When you get that way you just read what your Provincial Treasurer says?

A: Well, surely the Provincial Treasurer is allowed to be optimistic once a year.

Q: Particularly around election?

A: Yes, particularly.

Q: Just let me ask you this. You say that Manitoba has asked you to put this proposal forward on its behalf?

A: No, we speak for ourselves.

Q: But in your argument you include the three provinces. You ask for this not only for yourselves but you say "within the boundaries of the provinces of Manitoba, Saskatchewan and Alberta"?

A: That is for administrative purposes. We hope that Manitoba and Alberta -

Q: will see the light and get a board and back up what you are asking?

A: That they will see the justice of it.

Q: Mr. Moffat was here until a day or two ago and he did not leave any such suggestion with the Commission. I wondered if they had asked you to put the proposal forward on their behalf?

A: No.

Q: Now as to Alberta, my friend Mr. Frawley is here. Was the Province of Saskatchewan asked to put forward that proposal on its behalf?

A: No.

Q: You speak of feed grain subsidies. Isn't that something that is of assistance to the Province of Saskatchewan in that it facilitates the sale to the Eastern farmer of a grade of Saskatchewan grain products that might otherwise be more difficult to sell?

A: Not during the period of operation of that subsidy. It has been completely unnecessary. There has been no time when we would not have been able to dispose of all of our feed wheat and other feed grains in other markets just as easily. In fact, as a rule, more advantageously according to reports.

Q: Now, when you say "other markets" what do you mean?

A: I mean, for instance, United States. Oats and barley have been one of the significant illustrations, that oats and barley would have brought a substantially higher price if it had not been for the embargo on shipments to their markets.

Q: The American or Canadian?

A: No, American, and we were forced to ship it to Eastern Canada.

Q: You have not said much about it. The Alberta Wheat Pool issued a few weeks ago -

THE CHAIRMAN: Pardon me, are these grain shipments to the United States now free of duty?

A: I can't remember they are now. There have been some changes within the last few years, but even when the rates of duty were unduly high on oats and barley, the premium was considerably higher so that they were flowing over at quite substantially higher prices.

MR. O'DONNELL: Well, according to the Alberta Wheat Pool Budget Speech issued November 11th, 1949, under the heading of "Coarse Grains" reads in part as follows:

"The Eastern feeders obtain their coarse grains freight free from Fort William East. Since this plan was inaugurated, the Federal Government has paid in excess of \$125 million for freight charges on such

feed grains".

THE CHAIRMAN: How much money?

MR. O'DONNELL: \$125 million. Do you suggest that no part of that benefits the Western farmer?

A We would have got a better price for all the oats and barley outside of the country. We did not get any benefit from that in my opinion.

Q: In any event, when you ship that grain East it moves to the head of the lakes at the Crow's Nest rates?

A: Presumably.

Q: And from there on it moves free?

A: Yes.

Q: I am only mentioning that with the thought in mind that you have told the Commission at one time that the Saskatchewan producer paid the freight on the wheat?

A: I said it tends to pay the freight under competitive conditions.

THE CHAIRMAN: You are talking now of wheat, are you? As far as wheat is concerned, the statement in question must be in the brief?

A: These are feed grains - these are not wheat.

MR. O'DONNELL: I understand that, but I am asking you if in your view you think they were a benefit. That is your view?

A: Yes.

Q: And I said I merely mentioned it because of your statement to the Chairman yesterday at the opening of the brief that the Saskatchewan producer paid the freight?

A: Tends to pay the freight.

THE CHAIRMAN: When I interrupted Dr. Britnell, I asked him whether or not he agreed with the British

millar who said he paid the freight?

A: Yes.

Q: It is a question which might go on forever.

MR. O'DONNELL: Yes, everyone claiming the honour of paying the freight on the wheat. Now, in respect of subsidies, the Maritime Freight Rate type which Dr. Angus mentioned, if you put that into effect it was suggested to you that it would ratify the mountain differential?

A: Yes.

Q: And that is virtually true on this example, for instance - a shipment from Vancouver to Jasper, Alberta first-class rate would be \$2.39?

THE CHAIRMAN: How much?

MR. O'DONNELL: \$2.39 first-class rate, and with the 20%, which was the figure you mentioned for purposes of illustration taken off that, the figure would be \$1.91?

A: Yes.

Q: Now on a shipment from Vancouver to Yellowhead, B.C., which is West of Jasper, the rate would be \$2.31 and there would be no reduction and you would therefore be in the position of having a high rate for a shorter haul which has been the complaint, I think, of some sections of the country. Would not that be the effect of your suggested arrangement when it is applied, for instance, to British Columbia's position?

A: That sounds plausible.

Q: Do you think that is something that would make the British Columbian very happy?

A: No, I am not convinced a way cannot be found around it. We have not explored all those minor technical details.

Q: You might be willing to split the profits between British Columbia and yourselves? I think those were all the

1. The first part of the report is a general introduction to the subject.

2. The second part is a detailed description of the methods used in the study.

3. The third part is a discussion of the results of the study.

4. The fourth part is a conclusion and a list of references.

5. The fifth part is a summary of the main findings of the study.

6. The sixth part is a list of the names of the authors and their institutions.

7. The seventh part is a list of the titles of the papers presented at the conference.

8. The eighth part is a list of the names of the speakers and their topics.

9. The ninth part is a list of the names of the members of the organizing committee.

10. The tenth part is a list of the names of the sponsors of the conference.

11. The eleventh part is a list of the names of the members of the audience.

12. The twelfth part is a list of the names of the members of the jury.

13. The thirteenth part is a list of the names of the members of the secretariat.

14. The fourteenth part is a list of the names of the members of the committee.

15. The fifteenth part is a list of the names of the members of the board.

16. The sixteenth part is a list of the names of the members of the council.

17. The seventeenth part is a list of the names of the members of the assembly.

18. The eighteenth part is a list of the names of the members of the parliament.

19. The nineteenth part is a list of the names of the members of the congress.

20. The twentieth part is a list of the names of the members of the conference.

21. The twenty-first part is a list of the names of the members of the committee.

22. The twenty-second part is a list of the names of the members of the board.

questions I had to ask you, Doctor, and I just end with the suggestion that you are more particularly concerned about what might happen to you than about the situation at the present time?

A: Pretty immediate.

THE CHAIRMAN: Now, Mr. Covert, we usually adjourn at 4:30 on Friday. It is twenty after now. You, of course, intend to examine Dr. Britnell?

MR. COVERT: Yes.

THE CHAIRMAN: What about the question of time?

MR. COVERT: Well, it does not leave me much time.

THE CHAIRMAN: I am saying that because I understand Dr. Britnell leaves today.

MR. COVERT: That is right. It appeared to me - I don't know, but perhaps we could extend the time beyond 4:30.

THE CHAIRMAN: So far as the Commission is concerned, yes, we can, if it is satisfactory to Counsel.

MR. MacPHERSON: That would be not only satisfactory so far as we are concerned, my Lord, but it would be a great indulgence so far as Dr. Britnell is concerned because he is in the position that he pretty well has to get away tonight.

THE CHAIRMAN: Then we will go on.

EXAMINATION BY MR. COVERT

Q: Now I wanted, without referring particularly to the pages of your brief because I suspect you have them indelibly in your mind, I wanted to ask as briefly as possible what you consider to be the economic and geographic disadvantages of Saskatchewan. I just want to list those. One is, the fluctuation in the crops?

A: Yes.

Q: Your dependence on export markets which you say are vulnerable?

A: Yes.

Q: The wide fluctuation in farm prices and rigid freight charges?

A: Yes.

Q: Uncertain yield and uncertain price?

A: Yes.

Q: Farm costs continuing to rise and your farm prices are arrested now?

A: Yes.

Q: The bulk of the product in which you specialize?

A: Yes.

Q: The lack of diversification?

A: Yes.

Q: The grain lands becoming unproductive?

A: Yes.

Q: Lack of any cheap power meaning that you have to rely on coal or wood power?

A: Yes.

Q: Your geographic disadvantage of distance from markets?

A: Yes.

Q: Those were economic?

A: Yes. I would like to add with respect to farm prices being arrested, and I think it would cover Mr. O'Donnell's last point too, that they were arrested as of July, 1948, which was the peak of farm prices and since July, 1948, which is about 15 months away, the trend has been downwards. That was a mere amplification I wanted to make.

Q: Then, coming to your geographic disadvantages,

you say there your distance from markets?

A: Yes.

Q: Your markets, you say, are reached only by rail. You have no waterways?

A: Yes.

Q: Your isolated position?

A: Yes.

Q: The mountain ranges and Superior Region?

A: Yes.

Q: The weather conditions which prevent the use of highways all the year round?

A: Yes.

Q: Those are your main geographic disadvantages?

A: Yes.

Q: And it is because these perhaps coupled with something I want to deal with later, and that is your statement about your linking together of the tariff and the railways as a national interest, but it is these economic and geographic disadvantages, you say, must be overcome by the application of the Maritime Freight Rates Act principle?

A: Yes.

Q: Now in parts of your brief you mention specifically the dairy industry, which, I thought you said, was sort of on the watershed, as far as your competition from Alberta for the British Columbia market was concerned and from Manitoba for the Eastern market?

A: Yes.

Q: Now, what I wanted to ask you was whether or not the application of that principle, as you have set it out in your brief, would help you with respect to a situation of that kind because would not the 20% benefit

also go to your competitors?

A: Yes, it would not effect the disadvantage of geography which we suffer relatively to those two provinces.

Q: Then, also, if my memory serves me correctly, you had the same situation with respect to the poultry industry?

A: Yes.

Q: And perhaps also with respect to the honey industry?

A: Yes.

Q: And then do you recall also mentioning in your brief the Lloydminster crude oil? What I want to suggest is that from the brief presented to this Commission it would appear that a 20% reduction would not assist that in any way?

A: Well, I don't know enough about the situation to be quite sure about that, Mr. Covert. The disadvantages, of course, of getting into the Pacific are such that 20% would probably ^{not} cure.

Q: I think they needed as much as \$7.00 a barrel?

A: Yes.

Q: Then I wanted to also ask you if the application of the principle would help your fishing industry much?

A: I think to the extent that our fresh water fishing does provide a somewhat specialized product for the mid-continental American market, that is the larger cities of the American Middle West and even New York. It might be of some assistance to that industry, although I do realize that the competition which that industry must face for products which are not quite the same but are in the same general field from Newfoundland and other parts of the Dominion, is likely to be quite severe.

Q: So perhaps your suggestion of the application

of your principle is something more than mere assistance to the industries involved? It is really a sort of compensation for the geographic and economic disadvantages you suffer from?

A: Not so much perhaps, Mr. Covert, compensation for the economic and geographic disadvantages, but for what we interpret to be the effect of national policy.

Q: I wanted to take that one point up with you. I wanted to see if I could summarize it very shortly in this way. You say, first, that the tariffs and railways are inseparably tied together?

A: That they were part of the national policy.

A: And that this tariff existed before the West was developed, and I think you laid great emphasis that the West grew under an existing tariff?

A: Yes, I just qualify that in one detail, not "this" tariff - "a" tariff existed and we distinguished quite carefully, I think, or tried to distinguish quite carefully between the tariff that is in existence when development takes place and the addition to those tariffs or the imposition of other tariffs.

(Page 10265 follows)

Q. My understanding is that you are not suggesting that this tariff principle is wrong now or should be changed?

A. No.

Q. But you say there is nothing you can do about it?

A. That is so.

Q. And it may be for the advantage of the country as a whole. You say Saskatchewan particularly suffers from it?

A. Yes.

Q. And that the M.F.R.A. principle is to overcome it?

A. Yes.

Q. Now, dealing with the principle, have you prepared an estimate at all based on the 20 per cent, as to what it would cost?

A. Yes. We have prepared an estimate on what it would cost and it is made up of a number of parts. I might give the reporter a copy for the record, because it is a statistical table.

Q. You may give it to him, and perhaps we could have it copied right into the record.

A. Yes.

"Gross earnings of C.P.R. for the Prairie Region for the 12 month period to 31 October, 1948, per Exhibit 94, of the Mountain Differential Case
\$130.7 millions
\$130.

Deduct: Non freight revenue - 20 %
(Based on 1948 Annual report -
relationship of freight to other
revenue) 26.2 millions
\$104.5 "

Deduct: Grain traffic portion -
 say 27% - (Moving at Crows
 Nest Pass rates) (Estimate
 basis Appendix A, Page 1
 of Manitoba brief) 27. millions

Amount of other freight traffic
 revenue 77.5 "

Add: Subsequent additional
 revenue due to rate increases-
 13%
 (5% per Exhibit 49/11 of 20% Rate
 Case plus 8% award per judgment
 of that case) 10.0 "

Estimate of C.P.R. non-grain freight
 revenue at present rates 87.5 "

Add:
 Estimate of C.N.R. - nearly comparable
 to C P.R., say 87.5 "
 175.0 "

Add:
 Freight revenue from movements to and
 from Prairie Region (excluding grain
 and flour but including other lake
 movement to or from Prairies) allocated
 to Eastern and Pacific Regions, reduced
 through movement between Eastern and
 Pacific regions - say 15% 26.0 "
201.0 "

THE WITNESS: Should I outline the statement
 for you?

MR. COVERT: Q. Yes. First give us the
 amount which you estimate.

A. The total amount we end up with is \$201
 million for the total freight bill of western Canada.

THE CHAIRMAN: Q. For a year?

A. For a year, yes. Now, that is based on the volume of traffic moving in 1948, and it is made up in this way: Gross earnings of the Canadian Pacific for the Prairie region for the twelve-month period to October 31, 1948, per Exhibit 94 of the Mountain Differential case, \$130.7 millions; from which should be deducted non-freight revenue, which was estimated at 20 per cent.

Now, this deduction of 20 per cent of non-freight revenue, this deduction of non-freight revenue is based on the 1948 Annual Report of the Canadian Pacific, the relationship of freight to other revenue. And that deduction amounts to \$26.2 million, so that you get a residual figure of Canadian Pacific freight of \$104.5 million. But from that \$104.5 million a further deduction of grain traffic moving by Crow's Nest Pass rates -- there is a small movement which does not move at Crows Nest Pass rates, on the basis of Appendix A, page 1, of the Manitoba brief; and that deductible portion of grain traffic amounts to \$27 million, leaving the amount of other freight traffic revenue reduced now to \$77.5 million.

Now, to that must be added to the costs; \$77.5 million must be added subsequent additional revenue due to the rate increases, and that, we estimate at 13 per cent; and that amount is \$10 million.

I might say that we have based that on 5 per cent per Exhibit 49/11 of the 20 per cent rate Case, which was the Canadian Pacific estimate, as I understand it, plus the 8 per cent award pursuant to the judgment in that case.

While we are taking 1948 figures, we estimate them at 1949 freight rates, since the 8 per cent increase

was made with merely the grain rates moving at the Crows Nest Pass rates. That means that the estimate of the Canadian Pacific non-grain freight revenue at present rates amounts to \$87.5 million. Then we have added to that the estimate of the Canadian National Railways, which is very closely comparable, our accountants tell us, to that of the Canadian Pacific, of, say, \$87.5 million, making a total of \$175 million. And to that there has to be added freight revenue from movements to and from the Prairie region excluding grain and flour, but including other lake movements to and from the Prairies allocated to eastern and Pacific regions, reduced through movement between eastern and Pacific regions of, say, 15%, which is estimated at \$26 million, and which produces a total of \$201 million.

Now, that merely indicates our technique. We make no final claim to the validity of the figures. They are a very rough approximation which our accountants have been able to make of the total freight bill.

Q. Then, your subsidy on that, on the basis of 20 per cent would be one-fifth, which would be about \$40 million?

A. Yes.

Q. And that would be divided roughly between the two railways on the basis of this calculation?

A. Yes.

Q. And that means approximately \$201 million of freight moving in this year. But that would be carried at approximately 20 per cent below normal rates?

A. Yes.

Q. And I understand that is for the complete length of haul?

A. Yes.

Q. Did I understand you correctly with respect

to the haul that would be involved by putting it another way: that is, from the point of view of trying to find out to what hauls it would apply. It would not apply to any movement of freight which was just in British Columbia?

A. No.

Q. Or in any movement of freight which was confined consigned from Newfoundland to the Manitoba border, going either way?

A. No, so long as it did not cross the Manitoba border.

Q. That is what I said, right up to the Manitoba border; and it would not apply to something going from Ontario west through the Prairies with a destination in British Columbia?

A. No.

Q. And similarly from British Columbia, as long as it went through the Prairie Provinces and did not stop?

A. That is right.

Q. But it would take in everything else?

A. Everything moving to and from the Prairie region from anywhere in Canada, and adding to that the movement within the Prairie region.

Q. If you could find a Diamond Junction or a Levis which was satisfactory to you --

A. We would be perfectly prepared to consider it. We experimented with a number of them and we found it to be a sheer administrative impossibility to provide one. We have not got a reasonably commensurate situation, and we found administrative difficulties in working it out.

Q. The rates have been increased by virtue of the

last two rate increases by something over 30 per cent.

A. Yes, about 30.68 per cent, I believe.

Q. Now, if you take that figure as 130, and then take 20 per cent off, that leaves about 26, and you people would be practically back to the pre-war figures in freight rates, would you not? You would be just 4 per cent above?

A. Yes. We would be getting close to it.

As a matter of fact, so far as I know, no one in on the discussions even mentioned that. I think it is a rather interesting coincidence, but it is, I can assure you, a complete coincidence.

BY MR. O'DONNELL: Q. The 20 per cent figure was merely for the purpose of illustration?

A. Oh, yes.

MR. COVERT: Q. I also want to ask you if you consider the effect it would have on the Maritime Freight Rates Act itself, on Section 8, particularly, which provided that the statutory rate -- do you know Section 8?

A. I do not think so. I read the Act recently. I borrowed a copy of the Maritime Freight Rates Act and read it carefully a few days ago.

Q. It says that the purpose of this Act is to give certain statutory advantages in rates to persons and industries in the three provinces of New Brunswick, Nova Scotia and Prince Edward Island and even on the lines in the province of Quebec which are mentioned in Section 2, which is hereinafter called the select territory; and accordingly the Board shall not approve or allow any tariffs which may destroy or prejudicially affect such advantages, in favour of persons or industries located elsewhere than in such select territory. I just wondered if you had considered that aspect of it, and

what violent reaction there might be to it from the present select territory?

A. We had thought that there might be some, yet we could not say where our interests and theirs should conflict, particularly.

Q. Do you think Manitoba shippers shipping into central markets for instance of Ontario might not compete?

A. There is likely to be some, but I think the regions are so dissimilar that the extent of conflict is likely to be very small.

Q. Well, in some of their submissions down there, they asked for an extension of the Maritime Freight Rates Act to let them have a better preference, I think, in the central Ontario markets. Would the west have any objection objection to that?

A. No, none whatever.

Q. Perhaps the Prairie provinces and the Maritimes could get together and iron out the difficulties under Section 8.

A. I am confident we could.

Q. Now I have a few more questions, Dr. Britnell. You suggested in the brief that the Board of Transport Commissioners should have its jurisdiction enlarged over competitive rates, and that it should also carry out Government policy. I wondered if you wanted to describe a situation or a recommendation that you have put there and the one which Manitoba put forward about the Board carrying out Government policy, or do you have the same view?

A. I cannot remember the Manitoba position very clearly, but I think I could state ours. We regard it as essential that policy be left to the Cabinet or to the Government; rather than true policy should

always remain at governmental level, and that every aspect of administration, though, as distinct from policy, should come to the Board of Transport Commissioners either within the confines of the Railway Act, or in the form of an Order in Council which may be issued, and of which the Board would take cognizance.

Q. You say the policy should be laid down in a statute or by Order in Council?

A. Yes, we would prefer that that be an exceptional arrangement, that is an Order in Council. We cannot obviate them always, but we would hope they would be reduced to a minimum so that the semi-autonomy of the Board of Transport Commissioners' position, as a buffer between the various interests and the Government, should be maintained intact.

THE CHAIRMAN: When you mention Order in Council, I presume you mean such Orders in Council as would be authorized by statute?

A. Oh, yes.

Q. The whole thing ought to be governed then by legislation.

A. Preferably, yes.

Q. If the Government has any policy to bring down, then it should bring it before Parliament.

A. And put it in the Railway Act, yes indeed.

Q. Now, for administrative purposes, these Orders in Council are required?

A. Yes.

Q. But they would be to carry out the provisions of the Act?

A. Yes.

Q. And that is what you had in mind?

A. Yes. I was thinking of the sort of Orders in Council which come down under the Railway Act, such as

that having to do with the appeal of the seven provinces.

Q: Or the Order in Council which we heard a great deal about last year, directing the Board to make a reasonable structure of rates and equality?

A: Yes. We are very anxious to preserve the integrity of the Board of Transport Commissioners.

MR. COVERT: Q: Integrity and independence.

A: Yes, integrity and independence.

THE CHAIRMAN: Q. The Board as constituted today, in the first place, is made a court?

A: Yes.

Q: Its members are put beyond interference from the Government and are put in the same position as the judges of our Superior courts, who can only be removed from office by an address to the Senate and the House of Commons?

A: Yes.

Q: And that is done in order to create impartiality.

A: Yes.

Q: And do you wish to change that in any respect?

A: No. We think it is necessary to preserve the right of final appeal to the Government.

Q: That is a different question. I am talking about the Board itself.

A: No.

MR. COVERT: There is one thing, Mr. Chairman, which I think you are aware was not included in your summation, I mean the fact that the appointments are for a ten-year period.

THE CHAIRMAN: The appointments are what?

MR. COVERT: Appointments to the Board of Transport Commissioners are made for a ten-year period.

THE CHAIRMAN: Yes.

MR. COVERT: I think that fact should be pointed out.

THE CHAIRMAN: The appointments are made by the Government.

MR. COVERT: That is right.

THE CHAIRMAN: What is your point, then?

MR. COVERT: There is a little difference as compared to appointments made to the Bench.

THE CHAIRMAN: But appointments to the Bench are also made by the Government.

MR. COVERT: Yes, but they are made for life.

THE CHAIRMAN: I know the term is for ten years, but there is the provision of a seventy-five year age limit. I should have mentioned it. That is quite right. The appointment is for ten years, but there is the ability to reappoint, and there is compulsory retirement at the age of seventy-five, just as there is in the case of the Supreme Court and the Exchequer Court. But in so far as it is practicable, I think there is an endeavour to put the appointment in a position of independence and impartiality and beyond the interference of Government.

THE WITNESS: Yes.

THE CHAIRMAN: Q. Do you think that is the right way to leave it?

A. Yes. I do not want to see it reduced to the position we were in under the Railway Committee. We do not want to go back to that.

MR. COVERT: Q. One other point: dealing with the Board of Transport Commissioners: you say that the

technical personnel is completely inadequate, and you suggest the appointment of economists and engineers. I wonder just what you had in mind. What was necessary in that regard?

A. Well, we feel as a result of our experience in the 30 per cent case that the Board had to rely too completely on the railways for information; and while we do not mean in any way to suggest that the railways would not provide them with the proper information, nevertheless there are differences of interpretation of information; so we would like to see the Board equipped with the men and with the personnel which would be necessary on the accounting and economics side, and do something more than merely look over reports.

I do not suggest that they do not do more now, but they can do a good deal of looking over reports of the railway companies and they can go into the books of accounts of the railway companies and analyze the way in which they are put together in order to get behind the actual factual data provided by the railways, because there might be quite honest differences of opinion as to allocation and other matters.

Q. Do you envision a large staff of accountants?

A. No.

Q. What do you have in mind?

A. A quite modest beginning. I think for the purpose of consultation you need at least two economists; you probably need more than two accountants. And I would think that with the appointment of perhaps one or two or three accountants, and one or two engineers, natural development would take place in response to actual needs, and the provision of services by those people, as the Board became aware of the advantage of

being prepared in advance for possible rate cases and applications would follow.

Q. Now, Dr. Britnell, when you say two economists, and perhaps more than two accountants, do you mean over and above what they now have?

A. Oh no, no. I have in mind a very modified I.C.C., modified in terms of our population, our problems, our national income, and our railway matters.

(Page 10280 follows)

Q: On the question of the Hudson Bay Route, the Chairman pointed out that you had not given us any help with respect to what would amount to a test and I examined the brief of the Hudson Bay Route Association which was previously submitted and I don't think they had ever - I was wondering if under those circumstances you had any suggestions to make, whether you had had a chance to give it further thought?

A: Yes, I have had a look at the submission since yesterday, and I think that is quite true, that the suggestions which they make are not sufficiently defined to be of proper assistance to the Commission and we are quite prepared to undertake to ask the Hudson Bay Route Association to provide additional information to assist the Commission on the points which we raised in our brief if that is satisfactory to the Commission.

THE CHAIRMAN: Yes, that will be.

MR. COVERT: Then, Dr. Britnell, dealing with these other rates such as seed grain and livestock, farm implements, and so on, you suggest that this should not be discontinued at the sole discretion of the railway, but after thorough examination and review by the Board of Transport Commissioners. I want to know whether you had something to suggest?

A: Well, I think all of the usual perhaps - perhaps I could get at it in this way, that what we object to is not that the rates are raised or even doubled. The thing that we object to is that after they have been continued over many years, perhaps sometimes a generation, you could have a doubling or in the case of the Exhibition Boards an increase of 258% in the rates over night, which just cuts the foundation out from under the work of perhaps a whole

industry and that that should not be left entirely when it has become established in that way to the discretion of the railway companies but that there should be an element of reasonableness in it in which all the facts are taken into account. We do not suggest that they be continued but that at least some possibility of adjustment for the industry or the interested parties affected should be possible. The increase might be a gradual one. Perhaps it should be doubled but at least giving industry or the interested time - reasonable time. We would leave that to the Board of Transport Commissioners - reasonable time to adjust themselves to it and we would leave the definition of reasonableness to the Board of Transport Commissioners.

Q: In other words, it is the sudden shock of the sudden increase in relation to any particular industry?

A: Yes.

Q: And I think you would recommend that there would have to be some guiding principles for a hearing of this kind?

A: Yes.

Q: And you would agree that perhaps eventually they must be put on perhaps the same basis as other rates, but it might have to be gradual?

A: Yes.

Q: Now I did want to ask Dr. Britnell, Mr. Chairman, whether he suggested that tax exemptions given to the Canadian Pacific Railway should be removed, whether they thought it was within the jurisdiction of this Commission to make such a

recommendation, and whether it was really a solution to the transportation problem or just how it came before this Commission?

A: Well, we feel it is a part of the transportation problem in this way, that it is one of the disadvantages under which we labour in the prairie economy and it is one of the disadvantages related to the operation of railways. The exemptions given to the C.P.R. affect or have affected virtually every larger municipality in the Province of Saskatchewan.

Q: I suppose the shock to them might be like the shock to the seed grower?

THE CHAIRMAN: Is it something that could not come back again in the manner of a fixed rate?

A: Yes, but at least there it would tend to be equalized over the whole country. What we would like is to emerge completely from this vestige of being treated as a colony of Canada, which led to the granting of these exemptions in the first place. What we would like to achieve is a parity with the other provinces of Canada.

Q: I seem to remember now that these are in the Act creating the Province of Saskatchewan, and therefore everything done there is done subject to the tax exemptions?

A: Yes.

Q: Now it would be the equivalent of a constitutional change?

A: Yes, wiping out an anomaly.

Q: As things are now, such an action could only be implemented by action in London?

A: Yes.

Q: All the Dominion could do, having created the Province, is to extend its boundaries. Any other alteration in that statute is constitutional?

A: Yes.

Q: So there is that to be considered. I am not saying it is a difficulty that cannot be got over. The Province of Saskatchewan is bound now by those provisions?

A: Yes, it is a constitutional disparity to use our taxing powers to the full.

Q: And Alberta is the same?

A: Yes.

MR. COVERT: Now, I have five more questions. First, dealing with competitive rates, I want to know if it is Saskatchewan's recommendation that these should be raised to the highest rates possible as long as the railways retain the traffic regardless of whether or not they are compensatory?

A: Yes.

Q: Then, I want to ask when you made the statement the other day about the Board of Transport Commissioners having a competitive staff to increase all these competitive rates and I think it has been suggested there are many thousands and that this would take a large staff where you have the time. Have you had time to think that over?

A: Yes, very definitely in the meantime, and it seems to us that a very large part of that problem would disappear by requiring the railways to file a list of all competitive rates in effect at the present time. Then analysis by the Board's staff is made measurably easier.

THE CHAIRMAN: Are they not filed?

A: Yes, but over a long period of years. The Board has no knowledge of whether they are still in existence or not.

Q: What you want is to make a compilation of them?

A: Yes, as of the present time. The railways alone can provide that information.

Q: We have been told, haven't we, several times, that that would actually mean millions of rates?

MR. COVERT: I don't think they said millions of competitive rates; I think it was thousands of competitive rates.

THE CHAIRMAN: But a party would have to go over an enormous number to see which were competitive.

MR. COVERT: Perhaps the witness knows (I don't know, Mr. Chairman) but it would seem the railways perhaps would know what competitive rates they had. I would think they would perhaps segregate those.

A: I can't believe there would be an insuperable job for the railways who are applying the rates every day to provide a list as of some particular day in the present of those rates for examination by the Board.

THE CHAIRMAN: Well, of course, Counsel for the railways could tell us that.

MR. COVERT: I just wanted to see what you had in mind because it did seem to me it would take a large staff on the part of the Board of Transport Commissioners?

A: Then we feel, Mr. Covert, just as I said the other day, that it would not be a big job for the personnel or staff of the Board of Transport Commissioners to sort them out into categories or classifications.

Q: Now, Dr. Britnell, we were dealing with the surrendering of jurisdiction over freight rates. There were two points I wanted to make sure were clear on the record. The first is when you spoke of commercial trucking I understand you had meant just for-hire trucks?

A: Commercial trucks for hire.

Q: Then the second point was in so far as you dealt with the regulatory body having control over freight rates. It was suggested, I think that there might be some difficulty about them granting the licences because you wanted the licence fees in your own province. I was going to ask whether there would be any difficulty, for instance, if it had come under the Board of Transport Commissioners, if there would be any difficulty about them determining public necessity and convenience as long as the fee went to the Saskatchewan Government ?

A: I can't see that there would be any difficulty there.

Q: It is the fees or the revenue and determination of safety matters and matters of that kind and the amount you spend on highways?

A: Yes, use of the highways. That is the entire consideration. It is the revenue position.

Q: Then in your brief dealing with the Crow's Nest rates, you say, that the question as to whether or not they are compensatory is irrelevant?

A: Yes.

Q: I just wondered if you could elaborate on that?

A: There are many reasons, of course, why we consider them irrelevant, but one reason is, I don't

The first of these is the fact that the

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the twenty-sixth is the fact that the

know of a single rate case in this country where evidence as to whether a rate is compensatory or not has yet been produced, and why it should be brought up in the case of the Crow's Nest Rates when it has not been adduced in other rate cases is not by any means clear.

Q: That is your point is it? That is one of the reasons you say it is irrelevant?

A: Yes, The other is, of course, we consider it a fixed and settled part of national policy giving us the compensation.

Q: I think there was just one more point and that was on the question of maintenance that was so discussed this morning and when I listened I thought perhaps there was a bit of confusion about it. I wanted to find out whether what you are really suggesting in your brief is that satisfactory evidence could only be obtained through periodic inspection or tests of the companies' records?

A: Yes, continuous inspection, virtually continuous.

Q: You are suggesting - Would there have to be physical examination of the work as well?

A: I would doubt in most cases whether that would be necessary. I think it should be available to the Board. I think they should have engineers who are competent to make the appraisal in cases of dispute.

(Page 10287 follows)

Q. Disputes between whom?

A. For instance, it might arise in a rate case, but I think usually that is the sort of thing that can be settled as in the case of N 2 locomotives. It could be settled on the balancing of an engineering opinion against an accounting period.

Q. You do not think it is sufficient to get their exhibits and evidence?

A. No, I think you have to get behind it in the matter of raw materials.

Q. Is income tax paid or the assessment made without any more inspection?

A. There is still the right of inspection. It is sometimes; yes.

Q. Do you not think that is not enough in a rate case?

A. I think that in most cases it would be sufficient. I believe railways act in good faith.

Q. It is not suggested that the Board cannot inspect them?

A. No, I do not think it is.

Q. I think it is true that Saskatchewan has more miles of railway than any other province in Canada?

A. I believe that is true.

Q. In the case of both lines?

A. Yes, that is why we were so careful to get that point by Doctor Mackintosh that difficulties arose from not overbuilding on the Prairies, but in Eastern Canada.

MR. COVERT: I think that is all, my lord.

MR. MACPHERSON: There are just two questions that I would like to ask, my lord.

Q. Doctor, in the cross-examination by Mr. O'Donnell he referred to a letter in the mimeographed brief relative to

the Crow's Nest rates and I just want to make it clear that you make no admission that the Crow's Nest rates are not compensatory now?

A. No.

Q. Furthermore, over a long period of years in Western Canada so far as the Crow's Nest rates were concerned, do you know of any complaints that they were not unremunerative?

A. No.

Q. What is your view as to whether they were remunerative; were they accepted?

THE CHAIRMAN: Accepted by whom?

MR MACPHERSON: By the economists, my lord.

Q. Was there any complaint by the railways?

A. No.

---At 5.10 p.m. the Commission adjourned to meet again at 10.30 a.m., Monday, November 28, 1949.

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A-R.

Canada
ROYAL COMMISSION
ON
TRANSPORTATION

EVIDENCE HEARD ON

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ROYAL COMMISSION ON TRANSPORTATION

OTTAWA, ONTARIO,
MONDAY,
NOVEMBER 28th, 1949.

THE HONOURABLE W.F.A.TURGEON, K.C. LL.D. - CHAIRMAN

HAROLD ADAMS INNIS - COMMISSIONER

HENRY FORBES ANGUS - COMMISSIONER

G.R.Hunter,
Secretary

P.L.Belcourt,
Asst.Secretary.

COUNSEL APPEARING:

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G.C.Desmarais, K.C.) Royal Commission on Transportation

Hugh E. O'Donnell, K.C.)
H.C.Friel, K.C.) Canadian National Railways

C.F.H.Carson, K.C.)
F.C.S.Evans, K.C.)
I.D.Sinclair) Canadian Pacific Railway

Wilson E. McLean, K.C.)
C.D.Shepard) Province of Manitoba

M.A.MacPherson, K.C.)
F.C.Cronkite, K.C.) Province of Saskatchewan

J.J. Frawley, K.C.) Province of Alberta

C.W.Brazier) Province of British Columbia

F.D.Smith, K.C.)
)
) Province of Nova Scotia;
) Transportation Commission of
) the Maritime Board of Trade.

J.Paul Barry) Province of New Brunswick

F.R.Hume)
M.L.Rapoport) Canadian Automotive Trans-
) portation Association

R.Kerr) Board of Transport Commissioners

W.E.Darby, K.C.) Province of Prince Edward Island.

OTTAWA, ONTARIO
MONDAY, NOVEMBER 28, 1949

MORNING SESSION

THE CHAIRMAN: I believe we are to hear from you Mr. Hume.

MR. HUME:- Mr. Chairman, the submission of the Canadian Automotive Transport Association was presented last Tuesday, which is in Volume 50, and at this time we were asked, for reason, to interrupt our presentation so that the Province of Saskatchewan could go ahead with their Brief. Mr. Magee read the Submission but did not answer any questions on that submission. Mr. Magee, if you will take the stand?

MR. JOHN MAGEE RECALLED

EXAMINED BY MR. HUME

Q. Mr. Magee, if you would turn to page 9 of your submission, upon which there is a table of services made by the "Association of American Railroads"

that table does not show the percentages, I thought it might be easier to just put those percentages on the record. On the Inbound Freight there is a total of 653 applied to shorter transit time?

A. That one is 78.2%.

Q. And the second one?

A. 12.2%.

Q. And then all the rest together come to what percentage?

A. 9.6%.

Q. On the Outbound Freight from the shipper to the destination, what percentage of this are you able to indicate as being shorter transit time?

A. That is 72.9%.

Q. As to lower costs, what percentage is that?

A. 11.6% on the Outbound Freight.

Q. And then all the other reasons, the balance ^{of the} /table?

A. 15.5%.

CROSS-EXAMINATION BY MR. FRAWLEY

Q. Mr. Magee, there was a reference made two or three days ago in the evidence given by the Vice-President of your Alberta Association, Mr. Jack Taylor, with respect to the difficulty of Alberta truckers reaching Pacific coast points via United States highways?

A. Yes.

Q. Do you recall the reason that Mr. Taylor gave as being the reason that that difficulty was experienced; do you recall, Mr. Magee, that he spoke of an old customs regulation which restricted transfers under bond?

A. Yes, that restriction is still in effect.

Q. I would like, my lord, to file this document. I would file it but I have only one copy. It is a memorandum dated at Ottawa 1st August, 1901, and is with regard to general regulations respecting customs manifests. The one I am interested in is Section 23, the caption of which is "Regulations for the transportation of goods in transit through the United States (as amended)", and it says "goods the growth, produce or manufacture of Canada, including goods in excise bond under the usual removal entry, and foreign goods duty paid or free of duty, may be transported from one port to another of Canada over the territory of the United States, by railway, with the consent of the proper United

States authorities, by routes duly designated and bonded for such purposes. Imported goods in bond may be transported in like manner."

I am willing to do whatever counsel may think. I will leave this. That particular section can be transcribed or it can be read into the record, and perhaps that would be sufficient. I would be glad to leave the memorandum with Mr. Covert.

MR. COVERT: You have read it into the record?

MR. FRAWLEY: Yes, I have read Section 23 but there are other sections.

THE CHAIRMAN: Do you want to read it all?

MR. COVERT: I do not think it is necessary, my lord.

MR. FRAWLEY: Q. Mr. Magee, you say that the restriction is still in effect?

A. To the best of my knowledge, yes.

Q. Coming down to the Province of Ontario, a trucking concern taking goods from London to Montreal and leaving Canada at Niagara Falls, N.Y., and then transversing the State of New York and entering Canada farther down at Montreal; could he not do that now?

A. Yes.

Q. I understand that that has been righted by the Geneva Convention?

A. Yes.

Q. The restrictions which virtually prohibited trucking in bond, that does not obtain in Canada now?

THE CHAIRMAN: You mean the regulations that you have just read do not apply?

MR. FRAWLEY: Those are my instructions.

THE CHAIRMAN: You say they no longer apply?

MR. FRAWLEY: No, it does not.

Q. I want to know whether that is still in effect?

THE CHAIRMAN: As I understood you to read the regulation, it said that goods might be transmitted by railway.

MR. FRAWLEY: A truck now can be manifested out of Canada in bond for re-entry into Canada. Trucks are now brought up to the State of New York. From 1901 to 1948, a period of forty-seven years, the privilege of leaving Canada in bond for the purpose of re-entering into Canada was denied to a truck operator.

THE CHAIRMAN: They were caused that by the prohibition under that regulation?

MR. FRAWLEY: That is so.

MR. RAPOPORT: It may be of assistance to the Commission to know that that prohibition was dealt with in the so-called Geneva Treaty and again confirmed in the United Nations Conference on Trade and Customs held at Havana, Cuba, in 1947, and this found itself in the Canadian regulations under a memorandum of the Customs Division of the Department of National Revenue described as Series D, No. 8, and the portion of that memorandum dealing with vehicles carrying goods in transit appears at paragraph 10 of that memorandum.

THE CHAIRMAN: What is the date of that memorandum?

MR. RAPOPORT: January 1st, 1948.

THE WITNESS: There is still a barrier to international truck shipments from the United States into Canada.

MR. FRAWLEY: So much for the carriage of goods from Canada through the United States back into Canada.

THE CHAIRMAN: Does that apply to all goods?

MR. FRAWLEY: I know of no exception.

THE WITNESS: What we are referring to is in transit in bond. There is still a restriction on in bond transit for a shipment picked up in the United States and delivered to Canada.

MR. FRAWLEY: Q. What is the situation with respect to that?

A. The present regulation requires that the customs duty be paid at the bonding point of entry and the railways taking shipments from the United States can go right to their destination, and if the customs forms have not arrived, the goods can be taken to a bonded warehouse and the railway vehicle released. That cannot be done in the case of a truck. We had a case where a trailer had to be left there for fourteen days. At Windsor, Ontario, we had tractor-trailer units tied up for twenty-four, forty-eight hours and sometimes ninety-six hours, awaiting the arrival of customs documents which had not arrived. In the case of a shipment going by railway, it would not delay the release of the railway vehicle.

Q. Then I want to ask you about that as it relates to shipments from California, Washington and Oregon into Alberta. Do you tell me that a truckload of fruit seeking to enter Canada at King's Gate, B.C., would be stopped at the border and would have to unload?

A. If there were facilities to unload there and the documents had not come through, he would unload to get the use of his vehicle. If there were not facilities, the truck would have to wait there.

Q. There are bonded customs warehouses in Calgary; would not that truck be permitted to go there and clear at Calgary?

A. As I understand it, under the present regulations a truck may not be allowed to come through.

Q. He would not be permitted to come through to Calgary and clear customs at Calgary?

A. No.

Q. Would the railway car making the same movement exactly taking fruit in from Wichita country, Washington, - - would it be held up at the border in that fashion?

A. No, if he were coming through in bond.

Q He would be cleared by the customs officers in Calgary?

A. Yes, or to any other destination where there was a customs office, as I understand this case.

(PAGE 10300 FOLLOWS)

Q. Now, then, I want to ask you about United States traffic passing through Canada, going back into the United States. You recall that Mr. Taylor told us that at the present time there was quite a movement, and a free movement, of goods from the cities of Montana, Helena, Great Falls, through Alberta, through to the Yukon and into Fairbanks.

A. Yes.

Q. Now, does the situation obtain or does any contrary situation obtain with respect to the Province of Ontario?

A. Yes.

Q. It is different down here?

A. Yes.

Q. What is the situation here?

A. Well, the situation here is that although the Geneva Convention guaranteed the American truckers the right to take a short-cut through Canada in transit in bond from one American point to another, if it would cut down the running distance, the Ontario Government does not quite see it that way and there was a case last year in which the application of an American carrier to haul automobiles over Ontario highways between one American point and another was refused by the Ontario Government. The judgment was rendered by the Ontario Municipal Board and it was announced by the Minister of Highways just prior to that, that that was the policy of the Government.

Q. Now, I call your attention to an application before the Ontario Municipal Board by M. & G. Convoy Inc. for a licence to operate a public commercial service pursuant to the Commercial Vehicles Act.

A. That is the case I was referring to.

Q. I find that those proceedings took place in Toronto commencing on the 29th of April 1948 and that Mr. Howard, K.C., and Mr. Rapoport appeared for the applicants, the persons who wanted to operate a trucking business from a point in the United States through Ontario to a point in the United States.

A. Yes.

Q. That is comparable to the movement that you earlier told us about where there was apparently no difficulty about moving from Montana through Alberta to Fairbanks, Alaska.

THE CHAIRMAN: When you say there was no difficulty, that was because the Province of Alberta creates no difficulty.

MR. FRAWLEY: Because the Province of Alberta creates no difficulty, that is precisely the distinction I am making.

THE CHAIRMAN: Anyway, you say that was the distinction, but are there not two distinctions. There is no railway connection to Alaska and there is in the case of Ontario an alternative route through the United States.

MR. FRAWLEY: Yes, I want to bring that out.

I want to come down to that point just precisely and I find by looking at the transcript that Mr. Howard and Mr. Rapoport were there for the people who wanted to operate the trucking business and then I find some other people were there: Mr. Calvin and Mr. Williston for the Wabash Railroad, Mr. Fleming and Mr. Kingsmill represented the New York Central Railroad, that Mr. Gilmour represented the Canadian National Railways, that Mr. Butterill represented the Canadian Pacific Railway, Mr. Perry represented the Ontario Northland Railway; some others represented the Cities of St. Thomas and Niagara Falls. And Mr. Goodman was there for the

Automotive carriers. I want to know whether or not the railways objected to that license being granted?

A. Strenuously.

Q. Were these people required to obtain from the Ontario Municipal Board a certificate of convenience and necessity to make that movement?

A. Yes, they were.

THE CHAIRMAN: What attitude did the cities take there? There were certain cities you read out.

MR. FRAWLEY: Mr. Magee might be able to tell us.

Q. Can you tell us why the cities of St. Thomas and Niagara Falls were there?

MR. O'DONNELL: They all opposed it.

THE CHAIRMAN: The cities opposed it too?

THE WITNESS: Yes, sir.

MR. FRAWLEY: Q. Well, was there any particular reason why?

MR. EVANS: They didn't want their highways cluttered up.

THE WITNESS: No, I understand that that was not the reason.

MR. FRAWLEY: Q. Well, what was the reason?

MR. O'DONNELL: Mr. Evans suggested that these cities didn't want their highways cluttered up.

THE CHAIRMAN: I didn't hear that.

MR. FRAWLEY: Q. You were there?

A. Yes, I was at one of the hearings.

Q. You gave evidence at one of the hearings?

A. I did, yes.

Q. Are you able to tell us the ground upon which the Cities of St. Thomas and Niagara Falls put their opposition?

A. I believe it was the fact that those were

railway centres and a number of people who appeared from those cities were railway employees. In fact, one of the Aldermen of St. Thomas was a member of the Ship-by-Rail Association and he appeared, and it was suspected that there was a connection between the representations being made by the cities, which were strong railway centres, and the representations being made by the railway industry directly.

THE CHAIRMAN: Mr. Frawley, the point is: were those representations made by the cities, that is by authority of the council, or were there just certain people there that happened to live in those cities?

THE WITNESS: I think I could clear that up, Mr. Chairman. The alderman who represented the City of St. Thomas. - - -

THE CHAIRMAN: Q. He represented the City?

A. Yes.

Q. He spoke for the city?

A. And he said that he was not appearing as a member of the Ship-by-Rail Association but as a member of the civic delegation from the City of St. Thomas.

Q. Civic delegation?

Q. Well, it was an official delegation by the City Council.

Q. Appointed by whom?

A. The City Council, I believe, sir.

MR. EVANS: May I say this: the question to the witness was: On what grounds did the Cities oppose?

THE CHAIRMAN: If they did.

MR. EVANS: The witness has said "we suspect". Now, I think the thing to do is to put in the decision ^{and} any reference to the transcript to show on what ground they in fact did oppose. Not the suspicion of the witness as to why they opposed.

MR. FRAWLEY: I certainly have no objection to doing that at all. I don't want to be taking too much liberty with my friend Mr. Rapoport's transcript, but probably this could be filed as an Exhibit and then the Commission would know all the facts. I am only concerned with just one point -- this one point. I am coming to in a moment -- right now.

Q. Mr. Magee, this application was made and had to be made because in the Province of Ontario one must obtain a certificate of convenience and necessity before one is able to operate over their highways?

A. Yes, unfortunately that is the case in Ontario, Mr. Frawley.

Q. And if that were not so, the application would never have needed to be made?

A. The application would never have needed to be made.

MR. O'DONNELL: That situation is different in Alberta in that respect.

MR. FRAWLEY: That is why I am asking the question.

THE CHAIRMAN: Was this particular application rejected?

MR. FRAWLEY: Mr. Magee might tell us.

Q. Was that application rejected?

A. Yes, it was.

Q. And the movement did not take place?

A. No, it did not, Mr. Chairman.

THE CHAIRMAN: Q. Were any grounds given for the refusal?

A. Mr. Goodman who is following me on the stand, if there are any questions on certain parts of our brief, he is much more familiar with that question than I am.

Q. Who is that?

A. Mr. Goodman, the general manager of the

Automotive Transport Association of Ontario is here and there may be one or two points in the brief that I will want him to answer and if you would like an answer to that question I think he could give it to you.

MR. FRAWLEY: Q. Do I understand now that the situation is that Canadian truckers can leave Canada, go through the United States and deliver their cargo back into Canada at another point?

A. Yes.

Q. And you say that has been brought about by the removal of the old customs regulation and the substitution of the Geneva Convention?

A. Yes.

Q. But the contrary does not apply in these provinces where there is a regulation of trucking over the highways by the use of this technique of the certificate of necessity and convenience?

A. No, I would not go that far, because in Alberta they have a very comprehensive regulatory system based upon public interest and convenience and they have permitted American in-transit in-bond trucking without any objection at all so far as I know.

Q. You are speaking of Alberta?

A. No, British Columbia.

Q. You said Alberta.

A. You said this existed anywhere this form of a certificate of convenience and necessity was carried out.

Q. So that in a province like British Columbia, where the certificate of necessity and convenience is used, there has been, by virtue of applications granted, there has been movement of American goods through the Province of British Columbia to another point in the United States?

A. Yes, there has been in British Columbia.

THE CHAIRMAN: Mr. Frawley, in this particular case in the Province of Ontario, do the goods come in in bond from the United States point?

MR. FRAWLEY: Q. Will you tell us how the goods of the M. & G. Convoy were to come into Canada if application had been granted?

A. They were not going to be delivered anywhere in Canada. They were going to be delivered back into the United States. They wished to carry the automobiles over the Ontario highways so that they could cut down their running distance in the United States.

Q. Can you answer the Chairman's question as to whether or not that was to be done by bonding a vehicle as it entered Canada?

A. Yes.

Q. That is how it was to be done?

A. Yes.

THE CHAIRMAN: Does any Dominion regulation stand in the way in that case?

MR. FRAWLEY: No, at the moment---

THE CHAIRMAN: Any customs regulation?

MR. FRAWLEY: Q. No, at the moment, in view of the terms of the Geneva Convention does any Dominion customs regulation prevent the free entry of United States trucks into Canada for passage only through Canada?

A. No, none that I know of. I think that was all cleared up by the Geneva Convention.

THE CHAIRMAN: Then, Mr. Frawley, we can take it from you that this is altogether a provincial prohibition, is that so?

MR. FRAWLEY: That is right, sir.

THE CHAIRMAN: Nothing else stands in the way.

MR. FRAWLEY: I say nothing else stands in the way.

THE CHAIRMAN: But the attitude of this Board of the Province of Ontario.

MR. FRAWLEY: That is true. And Mr. Magee clears that up that in British Columbia, where they have virtually the same provision, applications have been granted but then Mr. Magee tells me that where there was no certificate of convenience and necessity, no application would have to be made in the first place.

COMMISSIONER INNIS: There would be no difficulty about an individual truck crossing in bond?

A. An American truck?

Q. Yes?

A. Do you mean in the case of an American truck coming into Canada and shortcutting through Canada and going into the United States.

Q. Yes.

A. Yes, it would, yes.

Q. Then, this does not apply to a question just dealing with a service, it is referring to any truck?

A. I should have qualified my statement. There would be a difficulty in Ontario but none that I know of in any other province.

Q. As I understand it, they were applying for a licence to operate a service. I am talking of one truck which may wish to take these **routes** rather than another route, which was not tied up with any service.

MR. RAPOPORT: If an individual truck is carrying its own goods, that is the owner of the truck and the owner of the goods is the same individual, there would be no difficulty. But if this individual truck was a carrier for hire, it would have the same difficulty as a carrier with a large fleet.

Moreover, there is another question, if the vehicle was carrying goods not for hire it can cross Canada because it then does not require a certificate of the regulatory board.

COMMISSIONER INNIS: We have had some evidence that the truck had an advantage in being able to get clearance across the border more quickly than would be the case in coming through to Toronto and then securing clearance at the customs, apparently they are held up with indefinite delays, storage and so on. You would not agree with that?

A. No, from what I have heard from the operators, sir, this restriction on in-bond traffic by Canadian operators has been a source of complaint for a long time in the trucking business. I have never heard that it placed the railways in a disadvantage with us. All I have heard about is the disadvantage it places us, the truckers, in, in relation to the railways.

Q. I think this was a case of a Toronto shipper who wished to have goods moved by truck because it was easier to get them through the customs regulations at the border than it was in Toronto.

A. That is the first time I heard of that, sir. I was not here that day.

Q. But is it not a fact that this question of clearance at the border might very often prove an advantage rather than a disadvantage, we have been told that.

A. Well, I will have to answer for the trucking industry, sir, and say that I never heard of a case where it places the railway --

THE CHAIRMAN: Q. Not the railway, we are talking of the trucks now.

A. Where it places the trucks --

Q. They can clear against their entry into Canada at the border?

A. That is right.

Q. Whereas the railways have to go to the point at which their freight is consigned in bond?

A. Yes, sir.

Q. Now, which in the long run is the most advantageous:

The truck clearing at the boundary or the railway going to the inland point first and then being cleared? We have been told that is the cause of delay, the facility is rather with those who can clear at the boundary?

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A. There may be specific instances. It does not always place a trucker in a more advantageous position to be cleared at the border. I know there has been terrific pressure by our national organization to have this restriction removed. The Department of National Revenue does not see it our way.

Q. What you mean then is to have goods consigned in bond to points in Canada?

A. Yes.

Q. But you want the Canadian facilities found in the United States to do this for you?

A. I am sorry sir.

Q. I say you want the Canadian facilities in the United States to do this for you, to allow this to be done?

A. Yes sir.

Q. You see, the goods must be in bond?

A. Yes, that is correct sir.

Q. And it is not sufficient for the driver to say "I am going to Toronto". They must actually be in bond?

A. Yes sir.

MR. FRAWLEY: Is there such a provision now that the railways may through the use of Canadian facilities in the United States ship from the United States origin under bond?

THE CHAIRMAN: Well, goods come in in bond and the railways can tell us how that can be done.

THE WITNESS: The railways themselves have to give us that answer.

MR. RAPOPORT: The regulation about which the witness has just been speaking is contained in that

same memorandum referred to a few minutes ago as being issued by the Customs Division as Series D No. 8.

THE CHAIRMAN: You mean the Canadian Customs Division?

MR. RAPOPORT: Yes, Mr. Chairman.

THE CHAIRMAN: What does it say?

MR. RAPOPORT: It is these regulations which impose the difficulty referred to by the witness.

THE CHAIRMAN: What does it say?

MR. RAPOPORT: It says "Motor trucks carrying goods for delivery to a point in Canada may be admitted if proceeding to an interior port with a load subject to due entry at Customs at the frontier port on arrival of the goods to be discharged in Canada and the payment of all the duties and taxes to which such goods may be liable failing which they must be forwarded in bond under manifest by railway to the port of destination."

MR. FRAWLEY: I would offer this memorandum. I have not a sufficient number of copies but I imagine that this could easily be obtained. I would offer this memorandum which is a Department of Revenue form dated January 1, 1948, Series D. No. 8.

THE CHAIRMAN: Well, Mr. Frawley, it would be much better if either you or Mr. Hume can tell us how these bonding facilities might be established for cars. They do not exist today. What do you want done?

MR. RAPOPORT: Mr. Chairman, what we want from the Dominion Government is the right to establish bonded sufferance warehouses in Canada.

THE CHAIRMAN: In Canada?

MR. RAPOPORT: That is right.

THE CHAIRMAN: But how are you going to handle your goods bonded, shipped in bond from a point in the United States?

MR. RAPOPORT: That is a matter of customs bonding which is relatively simple. The goods are sealed at the port of entry into Canada. We want the right to take that sealed vehicle in to a bonded warehouse in Canada.

THE CHAIRMAN: Yes, but I still think you had better tell us more clearly how you want that done?

MR. RAPOPORT: We want the Department of National Revenue, or whatever the department is here at Ottawa to say to the motor truckers "You are enabled to transport your goods in the same manner as the railways can do it today".

THE CHAIRMAN: But they do that when it goes through the boundary?

MR. RAPOPORT: Yes, but the trucker will then have an alternative. He can clear his goods as he now does, at the boundary, or he may proceed to an interior point and there unload his vehicle so that the shipping public will have the advantage of both those customs clearances.

THE CHAIRMAN: What precautions would be taken at the boundary to see that he did proceed to this point of destination?

MR. RAPOPORT: The usual manner of doing that, Mr. Chairman, is to require the trucker to post a bond with the Department at Ottawa so that if those goods are tampered with or stolen or whatever the case might be, the Bonding Company guarantees the full faith of the particular trucker.

COMMISSIONER INNIS: This first alternative is not satisfactory to you?

MR. RAPOPORT: The first alternative is satisfactory but there are some cases, Mr. Commissioner, where it is not satisfactory, particularly as the witness has said, in such cases where the necessary documents do not accompany the shipment. Because of the great congestion at the port of entry into Canada we find that there are several cases where we would like to proceed to destination with that load and unload those goods at the destination point.

THE CHAIRMAN: But all this furnishing of a bond and this marking of the goods for some interior point would all take place at the boundary?

MR. RAPOPORT: Yes, that is the first time the Canadian authorities meet those goods. That is where the arrangements are made. The van or the vehicle is sealed and the truck proceeds to destination. That is what takes place at the boundary.

THE CHAIRMAN: Mr. O'Donnell or Mr. Evans, can you tell me how railway goods in bond are handled from the point of shipment in the United States?

MR. EVANS: I think the position is as Mr. Rapoport has said. I have asked our people to let me have exactly what happens and how these things are arranged. My impression at the moment is that Custom Broker is employed by a shipper in the United States and all the arrangements for shipment are made through the Customs Broker who takes care of the necessary documents, bonding, etc.

THE CHAIRMAN: But does not the Customs Broker have recourse to some official in the railway station?

MR. EVANS. Oh yes.

THE CHAIRMAN: That is where it is done?

MR. EVANS: Yes.

THE CHAIRMAN: It is at the point of shipment, is it not, that the goods are put in bond?

MR. EVANS: I think so, but I am going to get more exactly what it is.

THE CHAIRMAN: Yes, I wish you would. Anybody else?

CROSS EXAMINED BY MR. O'DONNELL

Q. Mr. Magee, on this point that we have just been speaking of, that is international traffic, or in the United States, interstate traffic, there are definite regulations in the United States concerning that type of goods and they are regulated by the Interstate Commerce Commission?

A. Yes.

A.. Would you be in favour, or your Association be in favour, of some federal regulation of interprovincial and international traffic in Canada?

A. No, I am afraid we are strongly opposed to that.

Q. Despite the fact that it works in the United States quite well?

A. Well, the situation is different in Canada. We have fifty per cent. of the railroad mileage of Canada in the hands of the government here and no such situation obtains in the United States.

Q. So your Association would not be in favour of federal regulation of international and interprovincial traffic in Canada?

A. Not as long as the Canadian National Railways remains in the hands of the government.

Q. Now, will you please turn to your Brief. You have no affiliate in the Maritime Provinces?

A. No, there is no trucking organization in existence in the Maritime Provinces on a province-wide basis. And if there is one there is no doubt that it would be a member of our Federation. We have already been discussing the matter with them.

Q. In the third paragraph on the first page there you arrive at an estimate that there are approximately fourteen thousand communities not provided with direct railway service?

A. Yes.

Q. Would you just tell the Commission what the basis of that estimating is, how it was made and what was the source from which it was made?

A. There is a publication in Canada called "The Canadian Official Railway Guide", published by the International Railway Publishing Company Limited in Montreal. It lists all the communities in Canada and the distances they are situated from their nearest railway station.

Q. That is the source from which you made the estimate?

A. Yes.

Q. Now, how do you proceed in making the estimate?

MR. HUME: Perhaps it would help my friend, Mr. O'Donnell, if we put in as an exhibit ten copies of a compilation from the Canadian Railway Guide and one copy can be given to my friend and he can proceed with his cross examination from that tabulation.

EXHIBIT NO. 131: filed by Mr. Hume: Communities listed in the Official Railway Guide not provided with direct railway service.

MR. COVERT: For the purposes of the record we might

say that is a copy of Communities Listed in the Official Railway Guide Not Provided with Railway Service. That is the heading of Exhibit 131.

THE WITNESS: We made a large work-table, Mr. O'Donnell, on which we recorded the communities, first those showing no record of population or mileage and the remainder of the communities were listed at various distances from their nearest railway station with the first tabulation "Number of Communities situated over one and up to three miles from the nearest railway" and there were two thousand one hundred and eighteen, and so on down the line.

MR. O'DONNELL: Well, all I was interested in was just generally how you did it. How did you handle, for instance, places like Pickle Crow, Yellow Knife, Goose Bay Hampstead and Sable Island? Did you eliminate those?

A. No, because of the speed with which we had to prepare this and because it was prepared after we left Toronto, in Toronto those places are not eliminated.

Q. There are many hundreds of places like those I have mentioned which you did not eliminate?

A. Many hundreds not served by truck?

Q. Not served by railway.

A. Yes, that is right, many hundreds not served by railway.

COMMISSIONER INNIS: You did not indicate any point on Railways which say they have no service?

A. No sir, any point that was shown as being on a railway line was eliminated from our study. In some cases a community was served by the Canadian National and Canadian Pacific, and, of course, we took the nearest service in computing our study.

MR. O'DONNELL: Now, Hampstead, for instance. You know where that is? That is served by railway?

A. That is in Montreal?

Q. Yes. It has a railway; there are services surrounding it, the Canadian National and the Canadian Pacific.

MR. HUME: I think the witness has said that if it is shown in the Railway Guide as being on the railway, it does not appear so that if the place you mention is shown as being on a railway it is not here.

MR. O'DONNELL: Well, we will have to review your system of doing it. You told us how you did it.

A. We have the work-table here if you would like to study it further.

Q. In any event, you have given us an idea of how you did it. We can make our own comments on that later. Now, at the top of page 2 Mr. Magee, your Association represents only a proportion of the for-hire trucking industry?

A. It represents all of the organized trucking firms in Canada which is a porportion of the total trucking firms.

Q. I think you told us earlier in the Brief that there are thirty thousand odd over-the-road for-hire vehicles?

A. Yes.

Q. How many of those - do you have all of those under your control or only a portion?

A. No, we would have only a portion of those.

Q. Can you give the Commission an idea of how many you do actually represent or how many truckers who own trucks and operate trucks are members of your Association?

How many trucks would they have under their operation?

A. Well, I could give you the study, for example, in the province of Ontario where our Association the Automotive Transport Association of Ontario has in its membership twelve hundred P.C.V. operators.

Q. How many trucks are owned by the members of your Association?

A. I am trying to give you - -

Q. Can you give me the round figure?

A. No, I cannot, I am sorry.

THE CHAIRMAN: What do the letters stand for?

A. Public Commercial Vehicles. If I might explain a little further, to give you an indication which I think is what you want, in the Province of Ontario there are twelve hundred Public Commercial Vehicle operators in our Provincial Association. There are, however, in the Province of Ontario a total of four thousand P.C.V. operators but the twelve hundred operators out of that total of four thousand who are members of our Provincial Organization represent about 85 per cent. of the total for-hire vehicles in the province.

MR. O'DONNELL: How many do you say then? You have the number surely?

A. Well, I would be glad to get you a complete study that has been made on that and give you the actual figure, but I would rather not do it now because I might be wrong in my memory.

Q. Do you know how many trucks are owned by the twelve hundred members in Ontario?

A. I was only able to give you the percentage figure. I know I can dig it up because I know there was a study made of this. Eighty-five per cent. of the for-hire

vehicles in the Province of Ontario are operated by the twelve hundred members of the Automotive Transport Association in Ontario.

Q. You will get that information?

A. I will be very glad to.

Q. You do not represent farmers owning trucks nor do you represent privately owned or the owners of private commercial vehicles other than those who are over-the-road for-hire?

A. We do not represent farmers operating their own trucks directly nor do we represent the operators of privately owned vehicles directly but you will note that in our constitution we place the interests of the privately owned trucker ahead of the commercial operator in our object in saying that we protect and represent.

Q. But I am just asking you if you represent them and you say you do not. They are not members of your Association?

A. No, the only members of our Association are six Provincial Trucking Associations. Now, there are privately owned trucking fleets such as Loblaws in Ontario. There are privately owned trucking fleets who are members of some of our provincial organizations in western Canada. Perhaps in introducing Loblaws I might have confused the situation but our Association in Ontario has no privately owned trucking fleets in its membership but in Alberta they have some there.

Q. Well, you might give us in the compilation you said you would let us have, details as to the number of trucks that are owned by members of your Association in each of the Provinces where you have affiliates.

A. That will take me a little time to do for other provinces because our representatives are on their way back there. I will get it as soon as I can for you.

Q. No, will you go to page 3, Mr. Magee ?

A. Yes.

Q. You mentioned there in the second paragraph

"Today, truck transportation of milk
has become recognized as an industry
in itself"

The average haul for that type of transportation is relatively short, is it not?

A. Well, I would like, if it would be all right with the Commission, to have Mr. Goodman of the Automotive Transport Association of Ontario give the testimony for the pages that we have devoted to the role of the truck in agriculture, being pages 2, 3, and 4 of our brief. He is more familiar with the situation than I am; he is closer to it as we have no direct trucking memberships in our Association only our Provincial Organizations and Mr. Goodman would answer those questions for you if you would direct them to him.

Q. Mr. Goodman operates in Ontario does he not?

A. Yes, but he is familiar with the situation across Canada. He is the former Executive Secretary of our Organization.

Q. And you cannot give us any general information at all about the length of haul of the milk the farmer handles himself for instance?

A. What the farmer handles himself?

Q. Yes.

A. I am afraid I cannot.

Q. And you do not know anything about the length of haul of milk by truck?

MR. COVERT: I understand Mr. O'Donnell-- I do not like to interrupt - but I understood he said there was a man who could give better information. I think we would rather have it that way.

THE CHAIRMAN: Is the other person here?

MR. COVERT: Yes, he is here.

MR. HUME: Mr. Goodman, Mr. Chairman, is here to answer any questions on this portion here, and also on the subject matter of agreed charges - on those two, and as soon as Mr. Magee is finished, Mr. Goodman is going into the stand immediately and will be available for answering those things which are rather technical.

THE CHAIRMAN: Well, that will save time.

MR. O'DONNELL: Right my Lord. Then now, as far as page five is concerned you prefer to have Mr. Goodman answer questions on that?

A. Yes, please.

(Page 10325 follows)

Q. Now at the top of page 5 you say: "There is available for use in Canada a 500,000 mile highway network . . .". Can you tell the Commission how much of that is paved road? That figure takes in all the highways in Canada?

A. Yes, that is correct. There are Portland Cement concrete 2,485 miles of highway; bituminous paving 6,931 miles of highway.

THE COMMISSIONER: Q. 2,000 of what?

A. Bituminous paving was 6,931 miles of highway; bituminous surface 8,698 miles; gravel, crushed stone 125,813; other surfaces 122 miles.

Q. Thousands?

A. No, my lord, just 122 miles, and that is a total of 140,049 miles. Then, improved earth 136,870 miles; other earth 276,044 miles, making a total of 552,963.

MR. O'DONNELL: Q. There are 140 odd thousand miles of improved roads in Canada?

A. Yes.

Q. Would you just drop down to the next paragraph: "In 1943, according to incomplete tonnage figures compiled by the Transportation Division of the Dominion Bureau of Statistics, the trucking industry moved 11 million tons of freight."

A. If I might add to your previous question, there are 140,000 miles of improved highway, but we say in a military crisis for military uses the whole 552,000 miles of highway could be used.

Q. Going, then, to this in 1943 where you say the trucking industry did this, I take it that that means the for-hire trucking industry?

A. That is correct.

Q. Down two paragraphs further where you are making a reference to Order in Council P.C. 2012 you say the Minister's statement was confirmed by the railroad's own request that they be allowed to move freight cars in passenger trains. The inference is that their facilities were near the breaking point?

A. Yes.

Q. That was during the height of the war?

A. Yes.

Q. And equipment was difficult to get?

A. Yes; both for the truckers and for the railways.

Q. And the purpose of that particular Order-in-Council was to allow the use of passenger cars in mixed trains and the passenger cars were to be put at the head of the train and not at the rear of the train; was not that the effect of the Order-in-Council; it had nothing whatsoever to do with freight cars?

A. In other words, it is the reverse of the way we have it in our brief that they be allowed to move passenger cars ---

Q. The Order-in-Council is P.C. 2102, dated the 12th March, 1943 and the purpose of it was to permit the operation of a mixed train with passenger cars put ahead of the freight cars, and it was for the purpose of allowing for the heating of these cars, that they were to be put ---

THE CHAIRMAN: You mean freight cars?

MR. O'DONNELL: No, my lord, passenger cars which carried soldiers. It allowed passenger cars to be put at the front of the train instead of at the rear. I might

read the concluding paragraph of the Order in Council:

"Now, therefore, His Excellency the Governor General in Council, on the Recommendation of the Minister of Transport, and under and by virtue of the provisions of the War Measures Act Chapter 206 of the Revised Statutes of Canada, 1927, and notwithstanding the provisions of the Section 304 and 416 of the Railway Act, is pleased to order and doth hereby order that any railway company subject to the Railway Act may operate any passenger train, in which both passenger and freight cars are placed, for or on behalf of the Governments of Canada, the United States of America, or any other allied Government, where such trains are operated for military purposes, including the transportation of contractors' supplies, equipment and personnel to or from war projects or on war account, with any freight, merchandize or lumber car in the rear of any passenger car in which any passenger is carried, provided that the passenger cars so placed in any such train between the locomotive and the freight cars shall be of steel under-frame construction, and provided further that no flat car, loaded or empty, shall be coupled to the rear end of any such passenger car."

A. We merely put that in to refer to the undue strain on railway facilities which existed in 1943.

Q. All I was indicating was that the way you put it was just a little bit different than from the Order in Council.

THE CHAIRMAN: You are not admitting, Mr. O'Donnell, that the railway facilities were strained to the breaking point?

MR. O'DONNELL: There is no doubt about that, my lord,

Q. Incidentally, in the next year, 1944, the railways handled more traffic than they did in 1943, as a matter of fact? The net ton miles operated by all railways was 63.9 billions, and the following year, the railways operated 65.9 billions, an increase of 3 per cent.

A. We are not trying to deprecate the wonderful job the railways were doing.

THE CHAIRMAN: Q. Was not all transportation taxed to the limit?

A. It certainly was, sir.

MR. O'DONNELL: Q. You refer at the top of page 6 to the submission of the Honourable Mr. Chevrier on January 22, 1947, as to the shortage of equipment, and that was still prevalent?

A. Yes.

Q. And the situation has changed for the better since, has it not?

A. To the best of my knowledge it has eased up very considerably since then.

Q. Down on page 6 under your heading "Statistical Measurement of Importance of Truck Transportation", it is a fact, is it not, that only the operation of the for-hire trucks make reports to the Dominion Bureau of Statistics?

A. Yes, that is correct.

Q. I understand that last year, or in 1947 only 510 large truckers and 481 small truckers filed reports?

A. Were required to file reports, I think.

Q. They are the only ones that did file?

A. No, in 1947 for the first time we had in addition to the 510 large carriers and the 481 small carriers (those are freight carriers) we had for the first time 1,164 very small carriers with gross revenues of under \$8,00 and the fact that these reported at all and submitted their figures was due to the efforts of our organization in co-operating with the Bureau, and the putting out of educational material and the distribution of the poster which was submitted as an exhibit the other day.

Q. You are undoubtedly prevailing upon your members to file the material requested?

A. Yes.

Q. And in 1947 were not the 1947 figures in the Dominion Bureau of Statistics 510 and 484, as a matter of fact?

A. That is correct. There is a total of 2,155 freight carriers who reported to the Bureau in 1947. We have to include those from the small carriers.

Q. With a gross of \$8000 ?

A. It is under \$8000.

Q. At the bottom of page 7 and on page 8, you make reference to our rates as compared to truck rates and the influence they have on the way traffic is moved.

When the railway rates were moved in 1948 is it not a fact that certain truckers were forced to refuse to take additional traffic?

THE CHAIRMAN: What is it that the truckers refused to take?

MR. O'DONNELL: Q. When the railway rates were increased, I am instructed that truckers could not handle more traffic?

A. I haven't heard of it.

MR. HUME: Have you the names of those truckers?

Q. O'DONNELL: Q. The Smith Transport, I understand, were obliged to do that?

A. No.

Q. You do not know anything of that?

A. No, I was talking to Mr. Smith around the time of that increase and he never said anything.

THE CHAIRMAN: Q. Who is Mr. Smith?

A. He is the president of the Smith Transport and that company is operating mainly between Toronto and Montreal.

MR. O'DONNELL: Q. Is it not a fact, Mr. Magee, that during navigation season a considerable volume of freight swings over from the railways and highways to water transport between Montreal and Toronto?

A. Yes.

COMMISSIONER INNIS: Q. You have not any accurate figures of freight movement by truck?

A. Unfortunately not, sir. The tonnage figures by the Dominion Bureau of Statistics do not work down the tonnage groups.

Q. Is the tonnage figure satisfactory otherwise?

A. It is only an indicator because many of the companies reporting to the Bureau did not keep any record of the weight of freight carried, and the Bureau tells us that some companies reported leaving that blank.

Q. Have they any power of control over the reports?

A. They have power under the Statistics Act passed last year, but there are so many thousands of operators that the Bureau has admitted quite freely to us that there is no use of trying to go about it by putting the law on these people, and they are trying to work through us in an endeavour to have them answer these schedules. The smaller operators, a great many of them, send them back late and a great many send them back incomplete and some send them back inaccurate, and we understand that since our educational campaign of last year there has been an improvement in that situation.

Q. There is no question about the federal power being able to put penalties on them?

No, there is no question about that at all.

MR. O'DONNELL: Q. On page 8, the second paragraph, you say:

"Although some shippers switched from truck to rail to take advantage of the 20% rate differential ... "

it is a fact that the rate does have a bearing on the traffic which is moved and the media that is used for its being moved?

A. Yes, we believe the rate competition has been given undue emphasis in explaining the shift from rail to truck.

Q. Is it not a fact that during navigation each year a considerable volume of freight swings over

from the railways and the highways to water transport between Montreal and Toronto, and that is done by reason of the lower rates on the boats?

A. No, we are not doing too bad. Rates play a part in deciding the shippers' choice of transportation media.

Q. You say in the next paragraph:

"If shippers were willing to patronize truck transportation and, in doing so, to pay higher-than-rail rates . . ."

have you any means of controlling rates which are actually paid to the truckers?

A. None whatever.

Q. You may find that some of them issue schedules or tariffs but would you have any means of determining the actual rate that is, in fact, accepted by the trucker for these services?

A. The only way to do that is to get to know a certain amount of operators so well that they will divulge in confidence what their present rate level is, and that is what we have done.

Q. And the railways have to put their rate levels **right** out in the open?

A. Of course, that is what we want in every province.

Q. You think that is a good thing?

A. Yes.

Q. And that truckers should have their books open for examination to see what rates they are charging?

A. Definitely.

Q. Would you think that some regulation of the type that is provided for railways by the Board of Transport Commissioners is the thing that should prevail?

A. Yes, we have said over and over again and will continue to say that we want provincial rate control.

Q. As I said a few moments ago, the rates that are actually charged by the truckers are at the present time not ascertainable by your Association by reason of the fact that you do not examine their books or records?

A. No, you can only give a very general statement on the subject and that is what we have done here.

Q. Now, is it not a fact that in many instances the trucks are taking traffic from the railways at rates considerably lower than the railways are obliged to receive under the tariffs approved by the Board of Transport Commissioners?

THE CHAIRMAN: Will you repeat that? You say the trucks are taking traffic from the railways?

MR. O'DONNELL: At rates considerably lower than the railways must ask for under their tariffs.

THE CHAIRMAN: You are talking of your own competitive rates there?

MR. O'DONNELL: Yes, my lord.

THE CHAIRMAN: I would like you to clear that remark up; that the railways must charge more.

MR. O'DONNELL: We have competitive rates, for instance, and I have a number of instances which I intended to put on the record where the evidence indicates that the truckers are operating at a level considerably below those.

COMMISSIONER INNIS: Cannot you lower your rates still further?

MR. O'DONNELL: That I don't know, doctor. It seems to be on the instructions I have, a never-ending process.

THE CHAIRMAN: Yes, but the point I think is important. You mentioned the rates which the railways must charge as if they were compelled to charge those rates and none other. It does not lie within the power of the railways to lower their rates for competitive reasons.

MR. O'DONNELL: Yes. The instances I have in mind here are competitive rates as filed by the railways which have been cut by the trucks.

THE CHAIRMAN: That is all you mean.

MR. O'DONNELL: I should have put it that way.

THE CHAIRMAN: The trucks are competing with your rates, really lower than your competitive rates?

MR. O'DONNELL; That is right.

THE WITNESS: Some trucking firms, yes. And in Manitoba and Saskatchewan we are compelled by the regulatory bodies in those two provinces to charge rates lower than the railways are charging.

THE CHAIRMAN: Q. In which two provinces?

A. Manitoba and Saskatchewan, Mr. Chairman.

COMMISSIONER INNIS: Q. Does that mean that the railways would not be at liberty to lower their competitive rates, and if they did the regulations would require you to lower yours still further?

A. I don't know how we would be affected, Mr. Commissioner, but the railways I believe have to conform in those two provinces more than anywhere in Canada to lower their competitive rates.

THE CHAIRMAN: And the province compels the truckers to lower their rates as the railways lower theirs. Where does it end?

MR. O'DONNELL: I have a report that your rates were only increased 12% whereas the railway rates were increased 21%.

THE WITNESS: The Manitoba ^{Automotive} Transport Association applied on behalf of the truckers after the railway 21% rate increase last year, in April, I think it was last year, they applied on behalf of the trucking industry in that province for a 21% rate increase for trucks, and we were granted a 12% general rate increase effective December 1948.

And then in Saskatchewan, our affiliate there, the Saskatchewan Motor Transport Association, after the railways 21% rate increase last year, in April 1948, applied for a 21% increase in rates, and the Highway Traffic Board granted them a 15% general rate increase effective February 14th, 1948.

THE CHAIRMAN: That is one thing, I understand that. But I also understood you to say that generally in those two provinces the regulatory boards compel the truckers always to give lower rates than the railways.

THE WITNESS: I am sorry I gave the wrong impression, Mr. Chairman.

Q. You just meant what you have just read to us?

A. Yes. Up until the truckers applied for these rate increases in Manitoba and Saskatchewan, Mr. Chairman, the policy of the two truck regulatory bodies, the one in Manitoba and the other in Saskatchewan, it didn't fix the truck rates generally at the same level as

the railway rates. But on the occasion of this application for a rate increase, which was the first one for many, many years, the truckers had made, the two boards changed their policy and for the first time set the maximum rates lower than the rail rates in Manitoba and Saskatchewan.

COMMISSIONER ANGUS: Q. Are these maximum rates?

A. Yes, they are, Mr. Commissioner.

COMMISSIONER INNIS: Q. Are the rate schedules based on the railway rate schedules?

A. They were based on the prior, the increase in truck rates in Manitoba in December 1948, and the one in Saskatchewan November 1948.

Q. That is, the rates are fixed by those boards and those rates were exactly the same as the rail rates prior to the application that was granted.

A. I believe they applied the rail rate as turned out in their instructions to the truckers as the level at which their rates were to be fixed. Now they have departed from that policy and they have said "you cannot charge lower than the railways charge". I don't know whether it was the railways' situation or whether they were not convinced the truck rates had not gone up as much as the railways, or what the reason was.

Q. In the case of the subsidiary owned by the Canadian Pacific, would they be compelled to charge a lower rate on their trucks than on their railway?

A. Yes, the Canadian Pacific Transport Company in Manitoba must adhere to the orders of the provincial board, or certainly it acknowledges in Manitoba the Board's authority, and their rates are lower than the rates of the parent company in Manitoba, as I understand it.

MR. FRAWLEY: When you say lower rates you mean the truck compelled rates?

MR. SINCLAIR: I think it might be well to put the situation on the record at this time. The Canadian Pacific subsidiary, in regard to trucks, shipments, point of origin to point of destination, move on truck, does comply on the intra-provincial movements with provincial regulations with regard to the movement, that is, part rail and part truck, they use railway tariffs and railway rates. In regard to movement that is inter-provincial they do not.

THE CHAIRMAN: On truck?

MR. SINCLAIR: On truck, they do not follow any rate regulation of any province because they have been advised that there is no effective rate regulation to cover that set of facts.

THE CHAIRMAN: Then there is a vacuum in that case, is there?

MR. SINCLAIR: That is right.

COMMISSIONER INNIS: Does that mean that you are really encouraged to develop interprovincial traffic?

MR. SINCLAIR: I would think not, Dr. Innis. The situation, I think, is one where the provinces would like to control the movement of goods across a provincial boundary, but there is no way that they could constitutionally do so. And I say "provinces" meaning, of course, Manitoba and Saskatchewan, not Alberta, because they don't want to control rates at all.

COMMISSIONER INNIS: Well, what actually happens in those cases? Are they not much higher than the intra-provincial rates?

MR. SINCLAIR: I think that--you take a movement from Winnipeg to Kenora, where there is an inter-provincial movement, Moore's Taxi Limited--they did raise their rates

up to the railway basis and the movements that are inter-provincial -- Manitoba, Saskatchewan -- I understand are on the same level as railway rates for comparable movement.

THE CHAIRMAN: Are you talking now about companies controlled by the Canadian Pacific?

MR. SINCLAIR: No, I am talking of both companies controlled by the Canadian Pacific and companies having no connection with the Canadian Pacific.

COMMISSISONER INNIS: But there is this tendency to discourage interprovincial operation by higher rates?

MR. SINCLAIR: Well, rates, I think, are only one factor. But insofar as the rate factor is concerned, they feel that the interprovincial truck companies have got to move their traffic at rate levels equal to the railways, even though they might not be as high as they would like to have them to meet a fair return on the investment in other cases.

MR. HUME: May I also read into the record something on this point that I think might be helpful? And it is an extract from a trade publication known as "Truck and Coach", which is published, I think, in Toronto. It is a news item, the accuracy of which I don't know, but it reads as follows:

"A decision providing that interprovincial truckers in the four western provinces will charge rates which apply in the provinces where the goods are loaded, had been made by the Highway Traffic and Motor Carrier Boards of the four western provinces. The decision was announced late last month at the close of annual conference held in Winnipeg. Previously truckers carrying goods into another province charged difference rates for each province they travelled in."

That is the quotation.

THE CHAIRMAN: Does that mean the four provincial boards got together and adopted this rule?

MR. HUME: Yes, apparently that is so, Mr. Chairman. You may recall that in your regional hearings, I think it was in Vancouver, you heard evidence that I have read that the four provinces held annual meetings, conferences, on this matter--on the matter of trucking and so on. And this apparently was a decision reached at such a conference.

MR. O'DONNELL: What was the date of that?

MR. RAPOPORT: At Winnipeg, the last meeting.

MR. HUME: I am sorry I have not got the date. It was their last meeting. It is only referred to as the last meeting of the four western Boards.

THE WITNESS: I can get the date by telegram at lunch, I have not got it here. I know that was the situation.

THE CHAIRMAN: As I understood, when you read that, that the rates of the originating province prevail throughout?

MR. HUME: That is my interpretation. Mr. Campbell tells me that the meeting was held about two months ago, so that would be September.

MR. SINCLAIR: There is another thing about this conference, it is not in any case, as I understand it, more than a conference. The regulatory boards of the four provinces get together once a year to discuss mutual problems. And I think Dr. Carrothers told us in Vancouver that one of the things they were not able to do was to effectively control interprovincial movement. Now, by merely giving a directive beyond the constitutional powers of the regulatory boards, ^{they} certainly cannot effectively control those rates.

THE CHAIRMAN: No, but they can agree on the rates charged, each one in its own province.

MR. SINCLAIR: Yes, but the point I am making is that it was not a move controlling the rates charged by those provinces interprovincially, it was not saying that the rate from here to the border would be "A" and in the other province to the destination would be "B" and then add them together.

THE CHAIRMAN: According to your understanding when these goods originate in Alberta and the destination is British Columbia, nobody can control the rates which they are going to charge.

MR. SINCLAIR: But the Dominion, which is not exercising the control.

THE CHAIRMAN: Nobody but the Dominion which is not exercising the control. The province cannot control them, and the Dominion has not stepped into the void.

MR. SINCLAIR: That is so.

MR. FRAWLEY: I recall that Dr. Innis asked Dr. Carrothers when he was on the stand in Vancouver would he file or probably Dr. Carrothers volunteered that he would file the minutes of the meeting of the four Western Boards held from time to time, and I am wondering if that was done. Because we would see what these people consider at their meeting. Certainly, as far as Alberta is concerned they only consider safety regulations and those kind of things.

MR. COVERT: I am instructed that we wrote for those minutes and Dr. Carrothers wrote back and said they could not be filed.

THE CHAIRMAN: They could not be filed?

MR. COVERT: That is right.

THE CHAIRMAN: Did he say why?

THE SECRETARY: I think the reason was that there was no official pronouncement. As Mr. Sinclair has indicated they met for the purpose of discussing mutual problems. They were not an official transcription of any governmental meeting.

MR. FRAWLEY: I have seen them, I might say in Alberta, but I did not obtain a copy thinking, of course, that Dr. Carrothers would file a copy with the Commission

THE CHAIRMAN: At the moment, you are talking of Dr. Carrothers, he is ^{from} British Columbia, is he not?

MR. FRAWLEY: Yes, he is of the British Columbia Motor Carriers Board, but was there not some exchange between himself and Dr. Innis as a result of which it was arranged these minutes would be filed?

MR. COVERT: They were not filed, and let us not waste time.

MR. FRAWLEY: Perhaps they should not have been filed. I do not see why the Alberta Highway Traffic Board could not supply its copy of those minutes. I know of no constitutional restriction against filing them.

MR. ANGUS: Could you get us a copy?

MR. FRAWLEY: I think I could.

MR. O'DONNELL: Were they anything more than the bare memorandum of the people who held the meeting?

MR. FRAWLEY: There are minutes I saw in Alberta these minutes running to 15 or 20 pages, including the agenda of these meetings and what they discussed. And I understand from what Mr. Hunter said that there was some objection. Now I do not want to transgress any rule against filing them.

THE CHAIRMAN: What value would it be to us to know of the discussions at the particular meetings. There might be a lot of discussion,

MR. FRAWLEY: Yes, I would think so.

THE CHAIRMAN: Could you show us anything that would show any rates adopted or any other rate policy adopted?

MR. FRAWLEY: No, I frankly rose to find out whether that arrangement had been carried out that those minutes would be filed, and certainly if the Commissioners would like to see, or any other party would like to see them, I will undertake to see if I can get them. I do not know what value they would have at the moment.

MR. O'DONNELL: On the face of the report Mr Hume read it is difficult to see how any such arrangement could be arrived at in view of the fact that Alberta does not fix or control rates and it is difficult to see how that could be.

THE WITNESS: I do not see, notwithstanding what Mr. Sinclair said, why a province could not take control of those rates.

THE CHAIRMAN: Because they are interprovincial shipments.

THE WITNESS: We take the stand it is not a federal matter.

MR. HUME: We cannot argue it out now at all but I might say this that the Quebec Board is setting inter-provincial rates on traffic between Montreal and Toronto in reality now because if the Quebec trucker does not charge those rates then they are not given a license to operate.

THE CHAIRMAN: No, but does this trucker undertake to accept the rates all the way to Toronto?

MR. HUME: All the way into Toronto.

THE WITNESS: That applies to companies operating between Toronto and Montreal, but actually, Mr Chairman, they are required to file the rates in the province of Ontario. If they don't file their rates in the province

of Ontario they don't get a license to operate in the province of Quebec . That is the way they have held the control of the situation. There is of course no rate regulation in Ontario.

THE CHAIRMAN: Have any truck companies protested against this rate regulation or are they conforming to it?

MR. HUME: They are conforming to it, Mr. Chairman, according to my instructions. The point is a constitutional one, my lord, and I think that the Rowell-Sirois Commission went into the matter, as I recollect it, and said that there was no doubt that international, interprovincial traffic, was within the ambit of the legislative power of the Dominion. I think that a Dominion work, the Supreme Court has held that theregulation of a bus route --

THE CHAIRMAN: That the regulation of what?

MR. HUME: Of a bus route of a Dominion work even though the movement is interprovincial, is a matter for Dominion legislation. I don't think that there could be very much doubt that the interpretation of section 92,210 of the British North America Act would put an interprovincial movement of goods by highway into the field of the Dominion for the regulation of rates, and leave to the provinces the safety regulations, and those matters in the provincial field.

MR. O'DONNELL: Q. Mr. Magee, coming back to page 8 of your brief, to what I was saying to you about the inability of your association or of anybody else to check the rates which are actually charged by trucks, you agreed that it was the situation.

A. No, we cannot check the actual rates, except in Manitoba and Saskatchewan.

Q. Yes.

A. And Quebec.

Q. Yes.

A. Where the rates are regulated.

Q. What I am pointing out is the statement in the third paragraph on page 8 where you infer that trucks actually charged these lower rates, and I thought it would save time, Mr. Hume, if I might just summarize, put on the record the rates which are indicated by the photostatic copies of a number of actual bills covering the carriage by a number of the members of Mr. Magee's association. I have the photostats here.

A. Not of my association, of my affiliates.

Q. Of your affiliates, yes.

(Page 10355 follows)

THE CHAIRMAN: Are these in the Province of Ontario?

MR. O'DONNELL: In Quebec. I have a number of these here which I will be glad to make available for examination. One on June 23, 1949, shows that the Montreal - Ottawa Express truck line handled 17 washing machines from Ottawa to Montreal weighing 4,250 lbs. at a rate of 45 cents per hundred pounds. Again on June 24, 1949, 10 washing machines weighing 2,500 lbs. were handled from Ottawa to Montreal by this truck line on the same weight of 45 cents per hundred pounds. The rail rates on this traffic are 60 cents per hundred pounds for pick up and delivery and 38 cents for carload movement with a minimum of ^{twenty} / thousand pounds.

THE CHAIRMAN: Are those rail rates just given as competitive rates?

MR. O'DONNELL: Yes, and again on July 13 and 14 the Dumont Express handled a carton of confectionery from Montreal to Levis at 45 cents per hundred pounds. The pick up and delivery rail rate between those points is 68 cents per hundred pounds and carload rate is 54 cents per hundred pounds with a minimum of twenty-four thousand pounds.

THE CHAIRMAN: Then you would say in this case the railway rates do not meet the competition?

MR. O'DONNELL: I understand as fast as the railway might try to meet the competition of the trucks, the trucks have gone lower.

THE CHAIRMAN: But when you put these two rates side by side, the railway rate does not meet the competition of the truck?

MR. O'DONNELL: That is true, my lord, On July 14, 1949 -

THE CHAIRMAN: Tell me this. What has been the result on the railways? Can you tell me that?

MR. O'DONNELL: Well, they have taken the business - the trucks have taken the business.

THE CHAIRMAN: I was thinking the rates would perhaps tend that way, but, had they in fact taken the business - not those particular items but generally have they taken that business away would you say between these points?

MR. O'DONNELL: That is my understanding, and while we have got a few of these as evidence of what is happening, they do not seem to refute the suggestion on page 8 of the Brief that the shippers are ready to pay higher than rail rates for the truck service.

THE CHAIRMAN: Where is that stated on page 8?

MR. O'DONNELL: The inference is on page 8

"If shippers were willing to patronize truck transportation, and, in doing so to pay higher-than-rail rates, it is obvious ---"

etc. My point is that these documents indicate that they are not paying higher-than-rail rates.

THE WITNESS: You are giving the Commission a document for the year 1949 and I am speaking of rate increases that took place in 1947.

Q. Well, you are not limiting it, as I read it to 1947; you are just indicating that that is the general situation.

A. And I say that it could happen again, that truck rates could go above rail rates and the truckers would hold the traffic. They could lose some. There is no doubt

about that because that happened.

COMMISSIONER ANGUS: Have you any evidence, Mr. O'Donnell, as to whether the railways lost all traffic of that nature between those two points?

MR. O'DONNELL: No, we have not, Dr. Angus. We do know that in these instances that we happen to have obtained the freight bills for that we must certainly have lost it there. On the rates charged by the truckers in these instances they were considerably below the rail.

COMMISSIONER ANGUS: I wonder if the effect would have been that no one shipped those commodities by rail between those two points.

MR. O'DONNELL: Well, we cannot tell that, and Mr. Magee says there is no record available of the volume by truck.

THE CHAIRMAN: Then, of course, the question seems to arise why do not the railways reduce their rates to meet this competition. That is what competitive rates are for?

MR. O'DONNELL: Well, as I understand it, any time the railways have in fact reduced the rates, the trucks have gone lower still, and it gets to an unending situation which is not economically in the interests of the country as a whole.

THE CHAIRMAN: You mean of the railways?

MR. O'DONNELL: Yes, and if your trucks are, on the suggestion made by the Railway Association, actually operating in spheres which are not economic and are taking business at rates which are below the rail rates, then it is not in the general interest that that should continue because the railways have to be maintained, and if traffic of that type is lost to them continuously through rate cutting and taken at rates that are considerably below what the railways would

take for it -

THE WITNESS: Perhaps the railways should be a little more careful in reducing their competitive rates to far below the level that some trucking concerns are charging.

MR. O'DONNELL: Have you any objection to the railways being able to meet your prices on any level you may put them?

A. There is no suggestion in our Brief at all.

Q. You would be willing to let the railways have full freedom to meet your competition and go, as you do, below your rates as and when they might choose so to do in order to get the traffic?

A. I am not, Mr. Chairman, trying to be critical of the railways or needle them here, but I think in some instances they have gone so far below the truck rates that if they had just gone a little lower the truck would not have been able to carry it at that rate anyway.

THE CHAIRMAN: Can you give us an instance?

A. I think we could prepare some instances quite quickly Mr. Chairman, I have not got them here, but we sent out a questionnaire to all our provincial organizations on this matter and I think we can get that information.

THE CHAIRMAN: Then, Mr. Hume, can we count on that information being given to us?

MR. HUME: I will try, Mr. Chairman, to get what I can. We will try to work on it right after today when we are finished here, but I would like to say in connection with this one discussion and this invoice which Mr. O'Donnell has produced, that that does not say whether or not it was a full load -

THE CHAIRMAN: You mean a full carload?

MR. HUME: A full truck load, but the rate per ton on washing machines might be altogether different if that was the only thing the trucker had on his transport. And the second thing is that later on this afternoon for the four he has produced I will match him with four where the services are being used by the shipper and the truck rate is higher than the railway but the railway put in a competitive rate to get the traffic. It went over in one instance and then back again and is now being carried by truck.

COMMISSIONER ANGUS: Is it a fair inference that if the railways do not meet this competition, that they consider the shipments of which you have produced the rates isolated shipments rather than general well known trucking rates?

MR. EVANS: The position of the railways is something like this. The truck rates are very fluid.

MR. O'DONNELL: You can't tell what they are.

MR. EVANS: We never know at any given time what they are. We have to put a rate which we think necessary to meet competition and we may find in some cases that the trucker has put forward a rate that is higher than ours and in many cases a rate lower than ours. Our difficulty is the trucker is not limited in any way. He can change freely and does change freely and he may have a rate in a given instance that we do not know about at all. Other cases when we investigate we may find that the ^{trucker} is actually higher or lower than the rail rate. The fact is that no one knows except the people who are making the deal at the time what the

trucker's rate is.

COMMISSIONER ANGUS: Mr. Evans, would not you have some way of knowing whether the whole traffic in some particular item were going by truck and none by rail, whether you lost it all or whether you were still having shipments by rail of the same thing?

MR. EVANS: I think we would not have a large volume of a certain kind of item which was moving by truck, but it would not follow that we would be up to date on what the rates were or were being charged.

COMMISSIONER ANGUS: That was what I asked Mr. O'Donnell a moment ago, if there were any information as to whether there was ^{any} indication of the whole volume of this traffic moving by truck.

MR. EVANS: Our traffic people might know in individual cases.

MR. O'DONNELL: The only way we can get that information is by going to the shippers and asking them what shipments they had made. There is no way of knowing that otherwise.

THE CHAIRMAN: Pardon me, Mr. O'Donnell. I get confused among these various provinces. Does the Province of Ontario fix rates and are they maxima or minima?

MR. O'DONNELL: They do not fix rates as I understand it.

MR. HUME: They do not.

MR. EVANS: I think it should be said on behalf of the railways that the railways do not advocate that the provincial regulations should fix rates. They do not believe in the fixing of rates by a regulatory tribunal.

THE CHAIRMAN: The Province of Quebec does regulate rates?

MR. EVANS: I think they regulate rates; whether they fix them or not I don't know.

THE CHAIRMAN: When you say "regulate" you mean they merely fix the maximum?

MR. EVANS: Yes, they may approve a maximum.

THE CHAIRMAN: But there is no minimum?

MR. EVANS: No, not so far as I know.

THE WITNESS: As I understand it, Mr. Chairman, that is not quite the situation in Quebec. The trucker must file his rate with the provincial regulatory body and the shipper can go to the provincial regulatory body in the same way as he can go to the Board of Transport Commissioner in the case of the Railways and he can protest a truck rate if he thinks it is an unfair one or discriminates against him in the Province of Quebec, against some other shipper, and that situation has existed since April 1948. The Board does not set the level of rates throughout the province. The individual trucker goes to the Board and files his rate with the Board. It permits of some competition in truck rates because if there were four truck companies on one route in the Province of Quebec each could file a different rate theoretically if it wanted to.

THE CHAIRMAN: Have we not just heard of some regulations by the Province of Quebec which compels truckers to charge on through shipments into another province certain rates?

A. But, Mr. Chairman, those are the rates that are filed with the Quebec Board. The Quebec Board says "File the rate that you would like to charge between Montreal and Toronto".

Q. And the same rates would apply interprovincially?

A. Yes, but another trucking company operating between Toronto and Montreal might not have to quote you the same rate. He might say to the Quebec Board "I want to file a different rate because my operating costs are lower."

Q. Then in the Province of Quebec each trucking company files its own rates?

A. Yes, Mr. Chairman.

Q. And all rates if they are not contested stand?

A. That is correct Mr. Chairman. That is my understanding.

MR. O'DONNELL: That is a very recent ruling in Quebec?

A. It began in April 1948.

THE CHAIRMAN: In what provinces do the Provincial Boards make fixed rates?

A. Manitoba and Saskatchewan.

Q. Are they maxima or minima?

MR. EVANS: I think they are both. They must charge no more and no less.

THE CHAIRMAN: They are rigid rates?

MR. EVANS: They are rigid rates and that is the kind of rate regulation that I wanted put on the record as saying that we do not advocate. Then, there is one other thing while we are on this subject which I think is important.

THE CHAIRMAN: That you do not advocate for truckers?

MR. EVANS: That is right, sir.

THE CHAIRMAN: You mean this then, that from your point of view they are objectionable?

MR. EVANS: Yes sir.

THE CHAIRMAN: Why?

MR. EVANS: Because we cannot expect our competitors to be under a more rigid regulation than we are ourselves, and the second reason is, we do not believe in that kind of rate making at all.

THE CHAIRMAN: Don't you think it releases you from that situation just described to us where you say you don't know what their rates are and don't know how to get at them?

MR. EVANS: In the first place, I don't think you could really enforce that kind of rate regulation. The second place is that in the case I mentioned about not knowing what the rates are I had in mind two things, one, in the provinces where there is no rate regulations and two, the lack of adequate policing of the rate regulations and the result is we do not know what the rates are. But there is another factor in this question of the rates, and I think it stands up this whole discussion, and that is, that in the case of the so-called contract carrier the rate is made by the trucker under a contract. It is really much the same as our agreed charge in principle and in many cases there is no control over that kind of a contract. In some cases there is merely an obligation to sign the contract and file it with the regulatory commissi^ann. That is/really important aspect of the regulation of rates.

THE CHAIRMAN: Well, in those provinces where the rates, as you say, are rigid, is allowance made for these contracts?

MR. EVANS: I understand that there is in Manitoba; I don't know about the others.

MR. EVANS: Yes sir.

THE CHAIRMAN: Why?

MR. EVANS: Because we cannot expect our competitors to be under a more rigid regulation than we are ourselves, and the second reason is, we do not believe in that kind of rate making at all.

THE CHAIRMAN: Don't you think it releases you from that situation just described to us where you say you don't know what their rates are and don't know how to get at them?

MR. EVANS: In the first place, I don't think you could really enforce that kind of rate regulation. The second place is that in the case I mentioned about not knowing what the rates are I had in mind two things, one, in the provinces where there is no rate regulations and two, the lack of adequate policing of the rate regulations and the result is we do not know what the rates are. But there is another factor in this question of the rates, and I think it stands up this whole discussion, and that is, that in the case of the so-called contract carrier the rate is made by the trucker under a contract. It is really much the same as our agreed charge in principle and in many cases there is no control over that kind of a contract. In some cases there is merely an obligation to sign the contract and file it with the regulatory commission. That is^a/really important aspect of the regulation of rates.

THE CHAIRMAN: Well, in those provinces where the rates, as you say, are rigid, is allowance made for these contracts?

MR. EVANS: I understand that there is in Manitoba; I don't know about the others.

THE CHAIRMAN: Very well, Mr. O'Donnell.

THE WITNESS: Mr. Chairman, there are some rather sweeping statements going into the record that I feel should be corrected.

THE CHAIRMAN: Well, you had better proceed to correct them then.

A. Well, the statement that no one knows the rates. That is a sweeping statement indicating that across the whole of Canada no one knows the truck rates. I cannot understand why the railways cannot find out the truck rate of an individual trucking company in the provinces where the rates are regulated, namely, in British Columbia, Saskatchewan, Manitoba and Quebec.

Q. They are regulated in British Columbia as well?

A. Yes, that is correct, sir.

Q. You said just Manitoba and Saskatchewan?

A. Well, I had better clear up the two types of rate regulations that exist. These are confusing since there are ten provinces regulating trucks. There is the fixing of rates by a Board, and in that case the Board says to the trucker "You will charge such and such a rate" and that is the end of that situation.

Q. That prevails in Manitoba and Saskatchewan?

A. That is correct, Mr. Chairman. In British Columbia and Quebec the trucker comes to the Board and files his rate and he says to the Board "I would like to charge this rate". The Board might change it but on the other hand after they examine that rate and study the operating situation of the carrier they may allow the carrier to charge the rate he wants to charge.

Q. Well, supposing they do not? Do they impose a rate on him? If they impose a rate on him I suppose in that case they are fixing it to some extent?

A. In that case they are fixing it to some extent but there is what we call the "File Tariff" system which exists in British Columbia and Quebec and the fixing system which exists in Manitoba and Saskatchewan. In any of those provinces if the Provincial Rate Regulation is working properly the railways should be able to find out the rates. I agree they cannot find them out in Ontario or Alberta or in the Maritime Provinces.

MR. EVANS: Perhaps I should say at this stage that the real thing is are the rates that are prescribed in those provinces where there is a regulation of rates, are they the rates which are the rates they are charging?

THE WITNESS: Well, the Board has very extensive power to go into these matters and investigate them. In Quebec they can go into a trucker's office and take over his entire books and records and study them and they can come in on him any time they want to unexpectedly, and I understand they do so.

THE CHAIRMAN: What do they do if they find he is charging less than he was authorized to charge?

A. I don't know what they would do in that case.

Q. I don't imagine the shippers would complain about that?

A. I don't think so. They are very strict in Manitoba and Saskatchewan if the truckers undercut rates.

MR. SINCLAIR: Mr. Chairman, there have been many cases before the Manitoba municipal and public utility Board involving truckers paying 25 cents on a cream can, secret rebates to truckers at packing houses.

THE CHAIRMAN: What does the Manitoba Board do about that?

MR. SINCLAIR: Well, in regard to the payments on delivery on livestock at the packing plant they said the problem was too great for them to control.

THE CHAIRMAN: No, but about the 25 cents.

MR. SINCLAIR: They tried to find out who put it in and why, and it was very difficult to decide who put it in or where it was probably put in.

THE CHAIRMAN: Did they treat it as an infraction of their regulations?

MR. SINCLAIR: But unprovable. They could not prove it.

THE CHAIRMAN: No, ^{but} they did go into it as if they were treating it as an infraction of their regulations?

MR. SINCLAIR: They did, my lord. But the difficulties were so great that they just really threw up their hands.

THE CHAIRMAN: All right, go on.

MR. O' DONNELL: Q. On page 8, Mr. Magee, you refer to the table which was made shortly after the conclusion of World War II. In what year was that? 1945 or 1946.

A. I see we don't ^{give} the year. I think it was 1946.

Q. Well, anyway, it was during a period when goods were in short supply and speed was of the essence of the delivery, at that date?

A. Yes, but it bears out a previous study which was made in the same situation.

Q. We have not got the date, that is all I am after.

A. Of this study here, but the federal co-ordinator of transportation made a study which indicated substantially the same results prior to World War II.

Q. I am asking you only one question. I am ~~trying~~^{asking} questions to get through the few I have. And I just asked if these tables were not made in 1945 and 1946. You did not tell me the date of it.

A. No .

MR. HUME: It was published in 1948 by the U.S. Department of Commerce.

MR. O'DONNELL: I am asking the date it was made.

MR. HUME: I don't know when it was made.

THE WITNESS: It was made in 1946, I believe.

MR. O'DONNELL: Q. You refer, Mr. Magee, at page 10, at the top of page 10, to a statement by Mr. Fairweather during the 1938 inquiry and you quote an extract from that statement which appears at page 304. I think we could agree that in the interval since 1938 there have been changes in the situation.

COMMISSIONER INNIS: This is 1938, is it?

MR. O'DONNELL: Yes, Doctor Innis.

THE WITNESS: Yes, I - -

MR. O'DONNELL; Q. And the figures given by Mr. Fairweather in 1938, the 50 mile limit, you are not saying that it was not correct at that time.

A. I am saying I don't think it was correct at that time, at all. I think it was very extreme.

Q. In any event, for the information of the Commission I might just put on the record the paragraph from which that quotation is taken. It appears at page 304. of the proceedings of the special committee of the Senate inquiry^{ing} into railway conditions. It reads:

Highway transport is a new development and the full scope of its activity in an economic sense has not yet been determined. It would appear, however, from basic considerations, that as a passenger facility highway transport is a logical competitor of the railway for any distance, but that as a freight transport medium its economic scope is limited to a distance of approximately fifty miles, beyond which distance the use of the highway is uneconomic as compared with the railway. Some effective control should be instituted limiting highway transport to its proper economic sphere. As a start, taxation sufficient to pay for the wear and tear on the highways and to compensate for the use of public property for private gain should be instituted. The general level of commercial vehicle taxation in Canada is far too low and does not pay more than a fraction of the cost incurred. The highway problem of Canada is in point of fact a larger problem than the railway and merits most careful study."

That is the full paragraph.

A. Yes.

Q. Now, you say in the second paragraph, on page 2, that it is not possible, you say in part,

"This association respectfully submits that it is not possible to define a proper limit for the transportation of goods by motor vehicle."

^{be}
It would be possible to define the proper limit if any proper study were made on the accurate costs to truckers being made available, would it not.

A. We think the limit of haul of trucking is the end of the road.

Q. Yes, but you have never, you had no study of the cost of truck operators made to determine whether or not

it is economic to consider that that haul is the end of the road.

A. I don't see what value such a study would be.

Q. Well, you know that the railways have to submit their costs to the closest of scrutiny by the Board of Transport Commissioners.

A. Not in connection with determining the economic length of haul for railways.

Q. Well, have you any objection--does your association object to an attempt being made to bring about a situation whereby the truckers would submit the examination of their costs for the purpose of determining whether their operation is economic beyond a certain mileage?

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(Page 10375 follows)

A. I cannot see the value of such a study. We are not proposing that such a study be made.

Q. Well, do you think the members of your Association would object to it?

A. Certainly not. We have nothing to hide.

THE CHAIRMAN: What is that?

MR. O'DONNELL: Ultimately, I assume, he would go out of business. But in the meantime, before he gets to that point, he does a lot of damage to the transportation industry, and particularly to the railway, which has to carry on in the face of what is possibly uneconomic competition from the truckers.

THE CHAIRMAN: Can anybody find statistics showing the number of truckers who have gone out of business due to uneconomic competition?

MR. O'DONNELL: We would have no way of knowing that, Mr. Chairman.

THE CHAIRMAN: Yes, but does anybody know?

MR. HUME: No, Mr. Chairman, but you may recall that I put that specific question to two of the witnesses for the western provinces, in an effort to find out how many on the list were still in business after twenty years. These truckers are individual business men, and they say: We have been running for twenty years; we are making money, and we are not concerned with telling our competitors what our costs are. I understand there have been bankruptcies in this industry over the last thirty years, but I do not know how many.

I tried to indicate some information for the Commission by asking both the witnesses who were here last week along that line. Their answers are in the

record. I do not remember what they were. I think Mr. Buckman said there were four or five which he knew of which had gone into bankruptcy out of a list of some 30 or 40; but that most of them were still carrying on in business.

MR. O'DONNELL: Q. Based on whether or not it is economical, I submit that a comparison of the costs of operation of the trucker as against those of the railway -- that is the test; and whether or not the truck medium is being allowed to operate in a sphere where it is not in the national interests, economically, for it so to do.

A. That is the view of the railways, but not the view of the trucking industry.

MR. HUME: I am advised by Mr. Goodman that, to his personal knowledge,--and he has been connected with the Ontario Association,--they had five bankruptcies in Ontario in the last fifteen years, but just one of them was a member of the organization. There were five altogether.

MR. O'DONNELL: How many have gone out of business, apart from those who went into bankruptcy?

THE CHAIRMAN: It is one thing for the railways to go before a board and ask to be authorized to charge certain rates or to increase rates because of economic grounds, saying this must be done, saying they must be allowed to do so. That is one thing. But these truckers are not under the obligation to appear before any board and make known their costs and apply for an increase in rates.

MR. HUME: That is partly so, but it is also subject to the qualification that in those provinces where they examine the rate structure -- I understand

British Columbia is one and Quebec another -- they do make inquiries as to the man's costs to determine what the rate is. Take for example a new line opening up from point A to point B. They come before the Board in British Columbia asking for a licence. There is some inquiry made about their costs and so on, and I think the Board by this time and through their experience know pretty well what costs are. But as to any published study about the matter, I do not think there is such a thing.

MR. O'DONNELL: Q. At page 11, Mr. Magee, in reference to the middle of the page,--as a matter of fact, do not the larger truckers in your Association, those who consider themselves as responsible truckers, appear before the provincial Board and object to the issuance of new certificates to other truckers who want to come into the field?

A. Large and small truckers, definitely.

Q. And they do appear and object to the issuance of further certificates?

A. Oh, yes, certainly.

Q. I think you have already told us that you were not satisfied with the control that they actually have in the various provinces; and I take it you feel there should be stricter control by the provincial authorities?

A. No. If I said that I am sorry. If I said that, I gave you the wrong impression. Our problem now is that of the provinces which have no regulation. That is what our Association is concerned with now, and I mean Alberta, as well as the Maritime provinces. We are not objecting to what exists elsewhere.

Q. Are you satisfied with the situation which prevails in Ontario concerning rates?

A. I should have added Ontario with regard to rates. We want rate regulation in Ontario, definitely.

Q. Your affiliates in Alberta have endeavoured to force the Government of Alberta to assume more proper control or definite control of truckers?

A. They have endeavoured to persuade them, yes.

Q. But with no success, I understand?

A. I would not want to give that impression at all. We are very hopeful that this situation is going to be cleaned up in every province of Canada.

THE CHAIRMAN: Q. What do you mean by "situation is going to be cleaned up"?

A. We hope that in time, Mr. Chairman, we will have regulation in the Province of Alberta and control of entry into the field based on public necessity and convenience and rate regulation. I think Mr. Frawley will disagree with me, but our Association is still making representations to the Government of Alberta every year on this question. If the old adage is correct that the constant dripping of water will wear away a stone, I think sometime we may accomplish our purpose.

MR. FRAWLEY: Q. Are you seeking any recommendation from this Commission with regard to the regulation of truckers in Alberta?

A. None whatever.

MR. O'DONNELL: Concerning the top of page 12: what position does your Association take concerning private trucking as distinguished from hired? Have you any views on that?

A. We are not advocating the restriction of private trucking.

THE CHAIRMAN: Q. "Private trucking"?

A. Yes, the shipper who operates his own trucks.

Q. You would not have him subject to any regulation at all?

A. No, Mr. Chairman. He is a more serious competitor of oursthan the railways because, once a shipper has made the decision to abandon the railway service and switch to trucks, then he has to make another decision as to whether he is going to buy trucks or make use of the for-hire services. Then, if he decides to buy his own trucks, that is, truck on his own, it is a loss to us, and it is a form of competition which we have to meet. We cannot see how shippers operating their own trucks -- we cannot see our way clear at all to advocate that they be restricted. The competition hurts us; there is no doubt about that; and some of our companies are under constant threats from the larger shippers to lower their rates or to do other things, "or else we will put on our own trucks". But that is something we feel we have to meet under our free enterprise system.

MR. O'DONNELL: At page 13, under "Transportation Subsidies" in the second paragraph, you say:

"This Association further submits that the trucking industry is the only major transportation agency that is not subsidized."

Have you read the Duff Report with respect to its findings in that respect?

THE CHAIRMAN: Which report?

MR. O'DONNELL: The Duff Report, Mr. Chairman; and I refer to page 42, paragraph 110, which reads:

"There has been competition (a) between the railways themselves, (b) between the railways and the waterways during the season of navigation,

and (c) between the railways and the highways. All three forms of competition have been publicly subsidized, the first by grants of lands and moneys, the second by appropriations for improvements and free use of the waterways, and the third by the provision of expensively paved and inter-connecting systems of highways."

I take it you do not agree with the findings of the Duff Report in that respect?

A. No, we do not.

THE CHAIRMAN: Q. That means that you must consider that they must be based on the use of the highways sufficiently to prevent them from being a grant?

A. That is correct.

MR. O'DONNELL: Now, will you turn to page 14, where you make reference to the Duff Commission and you quote an extract from paragraph 167. Would you be in favour of the suggestion that an endeavour should be made to work out an arrangement between the Federal and the Provincial Governments by way of cooperation with a view to equalizing conditions under which road and rail transportation was carried on in order to secure uniformity throughout the Dominion?

A. We would be agreeable to anything which would produce regulation in those provinces which have not yet got it. And if that came about through Dominion-Provincial cooperation, or could be promoted through Dominion-Provincial cooperation, we would be agreeable to such a thing and to such an endeavour, but I do not see why our interests should be related to such regulations.

Q. The roads, inasmuch as the railways are in competition with the highways, don't you think they

have an interest in it?

A. Oh, yes, they have an interest in it.

Q. Then I should like to put on the record the balance of the paragraph in the Duff Report:

"The federal and provincial governments in co-operation should, however, examine this question of the regulation and taxation of road motor vehicles with a view to equalizing the conditions under which road and rail transport is carried on, and to securing uniformity throughout the Dominion. A joint inquiry in which both federal and provincial governments were represented should enable a measure of agreement to be reached upon the general principles which should govern the regulation and taxation of motor vehicles using the public highways. The administration and adaptation from time to time of the agreed principles of road transport might be left to a consultative committee consisting of representatives of the various provincial governments and of the federal government."

And then, continuing with paragraph 168:

"168. In our view the general principles upon which operators of road passenger services and common and contract carriers of freight should be regulated as follows --"

And they give a number of them, No. 4 of which reads:

"(iv) Operators should keep accounts on a prescribed system and render returns to appropriate public authority on a common basis."

Would you agree with that regulation?

A. I think our cooperation with the Dominion Bureau of Statistics would indicate that we agree with it.

THE CHAIRMAN: But this is something different

from merely reporting to the Dominion Bureau of Statistics.

MR. O'DONNELL: Yes, my lord.

THE CHAIRMAN: What do you think about it, then?

MR. O'DONNELL: I beg your pardon?

THE CHAIRMAN: Q. I am asking the witness to answer the question about the proposal which you have just read out. He answers that his cooperation with the Dominion Bureau of Statistics would indicate that he agrees. But I do not think that is an answer.

A. They are hoping to promote what is desired.

Q. Who is hoping?

A. Dominion Bureau of Statistics; but I cannot give a definite answer because there are so many small operators operating just one truck, as owner-drivers, who might find an accounting system difficult to apply.

Q. It is not a question of reporting to anyone in control, as I understand it.

MR. O'DONNELL: The operator should keep accounts according to a prescribed system and render returns to the appropriate public authorities on a common basis.

THE CHAIRMAN: As you said before, they would indicate that there was meant to be some controlling public body.

MR. O'DONNELL: That is right.

THE CHAIRMAN: Q. That is right, is it not? You do not want any Dominion control at all, as you told us a while ago?

A. That is correct, sir.

MR. O'DONNELL: This arrangement would be by way of agreement between the Federal authorities and the Provincial authorities.

THE CHAIRMAN: Yes. I understand these truckers do not want any such agreement, which would hand over to the Dominion Government any jurisdiction whatsoever.

THE WITNESS: That is quite right. I think what was being suggested by the Duff Commission was uniformity of system, uniformity of regulation in every province.

THE CHAIRMAN: Regulation for reporting.

MR. O'DONNELL: Q. By reason of agreement made between the Dominion and the provinces, and that it was in the public interest that it should be done?

A. By provincial regulatory bodies.

Q. Or by a body which might be agreed upon between the Dominion and the provinces?

THE CHAIRMAN: Agreed upon for what?

MR. O'DONNELL: On operating conditions, and on having reports made on a common basis.

THE CHAIRMAN: On operating conditions; that would assume some --

MR. O'DONNELL: Regulation.

THE CHAIRMAN: Yes, regulation not only of the truckers but of the railways and truckers; have they not always been subject to some rates set out or to be defined by a body to which both the provinces and the Dominion contributes -- I mean contributes personnel?

MR. O'DONNELL: That is right.

THE CHAIRMAN: And if I understood the witness, the truckers do not want that. Is that right? What do you say about it, Mr. Hume?

MR. HUME: That is quite correct. The truck operators do not want anything other than provincial regulation.

THE CHAIRMAN: In that respect, perhaps, it was

Mr. Frawley. What is the object in bringing to our attention the fact that the Ontario Board refused a licence to certain people?

MR. FRAWLEY: Because the fact is that they have, in this province, the necessity of obtaining a certificate of convenience and necessity, and that gives the railways the right to come in and protest about that American movement.

THE CHAIRMAN: No one has been able to contradict that certain cities in Ontario opposed the application of a certain company -- I think it was an American company -- for the use of the highways of Ontario. So what comes out of that? Is there any recommendation which could be made by us to the Dominion Government? We are concerned with matters within the jurisdiction of the Dominion Government.

MR. FRAWLEY: I was seeking to defend what exists in my own province.

THE CHAIRMAN: No, no. This is Ontario.

MR. FRAWLEY: Quite so, and I was pointing out what the situation was here, that a certificate of convenience and necessity must be applied for; and the result was that this American company was refused transit through the province of Ontario, while in my own province -- they are welcome to go through. They simply pay a fee in connection with the number of tires they put on the highway. It is a better position which exists in my province than in Ontario, I would submit.

THE CHAIRMAN: The Dominion Government has nothing to do with that at all.

MR. FRAWLEY: Oh no, no. The Dominion does not come into the matter; the Dominion didn't enter into

my calculations at all in bringing that forward.

THE CHAIRMAN: What do you want us to do?

MR. FRAWLEY: Nothing. I consider I am defending Alberta's position. I am quite serious about it, because from Vancouver to Halifax the finger was pointed at Alberta: that there was no regulation in Alberta, and it was a very bad thing. I am just endeavouring to defend Alberta.

MR. O'DONNELL: Q. What would you think of a uniform system of licensing throughout the Dominion, apart altogether from the revenue aspects? Have you any views on that?

A. Uniform provincial licences?

Q. Uniform licensing by way of an agreement between the Dominion and the provincial authorities, as suggested by the Duff Commission?

A. If some uniform principle of licensing were adopted by the provinces, we would be in favour of it, but by the provinces only.

Q. If the provinces agreed with the Dominion that there should be a uniform system of licensing, would you still object to it?

A. No, not as long as the provinces did it themselves. We do not want the Federal Government mixed in it in any way.

Q. I do not think there is an intention / ^{that the} Federal Government should. It is all predicated upon agreement being made between the Federal Government and the provincial governments.

At page 57, paragraph 169, of the Duff Report, I read:

"169. Furthermore, we consider that any joint inquiry that may be set up to examine this question

question should give serious attention to the institution throughout the Dominion of a uniform system of licensing (in addition to the existing licensing for revenue purposes) of road passenger service vehicles and motor vehicles used for the conveyance of freight, whether operated as common carriers, contract carriers, or used exclusively for the conveyance of the freight of their owners. Under such a system it is suggested that a licence should only be granted to common carriers of passengers and freight where it can be proved to the satisfaction of the licensing authority that the service rendered, or proposed to be rendered, is in the public interest."

THE CHAIRMAN: Isn't that something similar to what Mr. Gaffney said?

MR. O'DONNELL: Yes, and a representative of the Railway Association.

THE CHAIRMAN: Then we have Mr. Frawley speaking for Alberta, saying there is no such thing; you must not interfere with Alberta.

MR. FRAWLEY: That is quite right.

THE CHAIRMAN: And you apparently say: you would not favour our interfering with Ontario?

MR. FRAWLEY: I would leave Ontario to Ontario, sir.

MR. O'DONNELL: Q. At page 14 you refer to the Privy Council judgment in the case of the City of Montreal vs. Montreal Street Railway, and you quoted this phrase:

"--a most unworkable and embarrassing arrangement." It would be only unworkable and embarrassing in so far

as the Federal Government and the provincial governments could not agree. But if they were to come together and make an agreement, is it not possible that the embarrassment they refer to would become removed?

A. I think there would continue to be embarrassment in the matter of the agreement they made, and it is indicated in another paragraph below that one.

Q. You will recall the United States where there are forty-eight boards which regulate interstate commerce.

THE CHAIRMAN: You cannot always proceed by way of deduction between what is done in the United States and what might be done in Canada?

MR. O'DONNELL: Q. I know; but if an agreement were to be made between the provinces and the Federal authorities, you would have no objection; I mean your Association would have no objection to going along with that type of procedure?

A. As long as everything was carried out entirely under provincial auspices.

THE CHAIRMAN: That is not much of an answer. Did you hear the answer, Mr. O'Donnell, to your proposal? It was: "as long as everything was carried out entirely under provincial auspices."

MR. O'DONNELL: I do not understand quite why the answer should be so restricted, particularly if an agreement be reached between the authorities which have control, and which is divided at the present time. If by agreement mutually arrived at between the provincial authorities and the Federal authorities, arrangements are made which are satisfactory to them, I do not see why it should not work, any more than the arrangements presently existing such as regard taxes.

Q. At page 17 you speak of:

"The financial resources of the railways enable them to acquire readily and ready-made competitive transportation companies."

A. Yes.

Q. Do you object to truckers buying up other truckers and consolidating operations?

A. No.

Q. You do not object to that being done?

A. Definitely not.

Q. That has been done to some considerable extent in Canada, according to your brief?

A. Yes.

Q. Why would you suggest that the railways should not be allowed today to enter into an agreement of that kind with truckers, trucking companies which are willing to sell?

A. It is an entirely different thing for the railways to start to buy truckers because it breaks down the existence of various transportation media in Canada.

Q. But do not other truckers break down the independent existence of truckers?

A. ~~They~~ are still competing with the railways and some people think that is a very desirable situation.

Q. But you/^{would} have no objection to the railways acquiring trucking lines as supplementary services to their rail services?

A. Yes, we would.

Q. You would object to railways going into trucking business in any form whatsoever?

A. We prefer a system such as the Canadian National uses, when it does its trucking by

independent truckers. We feel there are a sufficient number of independent truckers in the field now.

Q. I do not agree with the way Mr. Gaffney put it; but the record is there and we will leave it at that.

Now, on page 7, with respect to the paragraph beginning, "The major investment. . ."

A. Yes.

Q. You said:

"It is inconceivable that railway management would stand idly by and permit a trucking subsidiary of the railway to reduce to a losing position a railroad line which had been paying its way."

THE CHAIRMAN: What is that?

MR. O'DONNELL: "It is inconceivable".

THE CHAIRMAN: What is?

MR. O'DONNELL:

"It is inconceivable that railway management would stand idly by and permit a trucking subsidiary of the railway to reduce to a losing position a railroad line which had been paying its way."

Do you think the railways should be expected to stand idly by and allow any trucking concern to reduce any of its railway lines to a losing position?

A. No. We think they have other means of counter-acting that situation.

Q. Do you object to any steamship line owning a trucking concern?

A. Yes.

Q. Do you object to a trucking concern -- oh, I will leave that one.

A. We have a large trucking company in our provincial organization which is owned by a steamship company. We do not blackball him for that. We disagree with him, and he is aware of it.

Q. I understand that as to agreed charges you want Mr. Goodman to handle the question?

A. Yes.

Q. I think, possibly, Mr. Magee, you have covered in your remarks anything I had to ask concerning regulation of the trucking industry which appears in the various provinces as you have listed them on pages 19 and 20; and I think that you, in your remarks, have given sufficient indication that the views of your organization with respect to Nova Scotia -- for example, you say at page 20:

"Nova Scotia - Legislation is not enforced."

I assume from that that you think the legislation should be enforced?

A. Definitely.

MR. COVERT: It is not even proclaimed legislation.

MR. O'DONNELL: I take it you think it should be proclaimed and enforced?

A. The sooner it is proclaimed and enforced, the better it would be.

Q. You think that would be helpful in all provinces to have proper enforcement?

A. We are 100 per cent behind it.

MR. O'DONNELL: Thank you, Mr. Magee.

THE CHAIRMAN: Q. Mr. Magee, at page 1 you say that your organizations -- are they all provincial organizations?

A. Yes.

Q. Can you tell me whether the Canadian Pacific operate truckers, or a part of any one of those organizations in Ontario or Quebec?

A. The Canadian Pacific Transport Company is a member of our Association in British Columbia.

MR. SINCLAIR: I think I might put a statement on the record which would clear up a lot. The Canadian Pacific Transport Company is not a member of the organization in British Columbia. What are members the organization in British Columbia are some subsidiary companies of the Canadian Pacific. The Canadian Pacific Transport Company does not operate highway transport service in British Columbia. We were members. The Canadian Pacific Transport Company was a member both in Saskatchewan and in Manitoba, but we were blackballed out, to use the phrase of the witness, by the organization. We have never been a member in Alberta; but we were members in Manitoba and Saskatchewan and we were thrown out of the organization by the witness' friends.

THE CHAIRMAN: While you are there, will you please tell me about your relations to the provincial government boards?

MR. SINCLAIR: Yes, sir.

THE CHAIRMAN: Do you take out whatever licences are required in the various provinces?

MR. SINCLAIR: Yes, Mr. Chairman.

MR. FRAWLEY: My friend said he was never a member of Alberta, or Saskatchewan. Dench of Canada was certainly a member of the Saskatchewan association until it was taken over by the Canadian Pacific.

MR. SINCLAIR: I would have to disagree with Mr. Frawley. Dench found the Association in Alberta

not conducive to proper relations in the trucking industry long before he became part of the Canadian Pacific, and he pulled out of them alone. Moreover, "Freightways", the other largest operators --

THE WITNESS: The Canadian Pacific Transport Company -- I have the proceedings of our annual meeting in Winnipeg, and I have a statement of the manager of the Canadian Pacific Transport Company which I would like to read. It was made at an annual meeting of the Canadian Automotive Transport Association.

THE CHAIRMAN: When was it held?

A. It was held on December 1, 2 and 3, 1948.

MR. SINCLAIR: Q. When was it that Dench pulled out? We tried to come back in because we thought we might be able to teach you fellows something.

MR. FRAWLEY: You see why I have to defend myself.

THE CHAIRMAN: Q. Who was this person who made the statement?

A. Mr. Keays, manager of the Canadian Pacific Transport Company.

MR. HUME: Q. Oh, state it in your own words.

A. He stated that his company, the Canadian Pacific Transport Company, was then a member of three trucking associations in western Canada, Manitoba, Saskatchewan and Alberta.

MR. SINCLAIR: Q. British Columbia, you mean.

A. Yes, I am sorry. Very definitely.

Q. Maybe you had better read it.

A. I was only trying to save time.

This was a statement presented by Mr. M. A. Keays, Manager, Canadian Pacific Transport Company, Montreal.

We had a number of differences with this company, but they asked for permission to speak at our meeting, and we allowed them to do so: This was a closed meeting.

Mr. Keays said:

"I understand that you had on your agenda one and possibly more items concerning Canadian Pacific Transport Company. One of them, I believe, had to do with C.P.T.'s membership in provincial organizations. I really hadn't anything to say on the subject, Mr. Chairman, unless it was your intention to pass a resolution which would make it impossible for us to belong to, and cooperate with, the organization of transport operators. Maybe you could enlighten me on the situation. Perhaps I might say just this much: We are members of the associations in Manitoba, Saskatchewan and British Columbia, and have been members in these provinces ever since we took over certain companies. I think the representatives of these associations can testify as to our willingness to cooperate in the problems of the industry and we would like to continue to do so. There is one province in the west where we do not belong and that is because the previous owner was not a member of the association, for some reason or other. We would like to join the Alberta Motor Transport Association. It has been stated in print that our application would not be welcome, but nevertheless we would like to belong. I believe that is all I have to say."

Since that time their membership has ceased at the request of the associations in Manitoba and Saskatchewan. But they remain in the association in British Columbia.

THE CHAIRMAN: Does anybody else wish to examine Mr. Magee?

MR. SINCLAIR: I had not really begun to ask the questions which I have, Mr. Chairman.

THE CHAIRMAN: Very well, then, we shall adjourn now until 2.45.

---At 1 p.m. the Commission adjourned to meet again at 2.45 p.m.

(Page 10400 follows)

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Mr. Magee Cr. ex.

AFTERNOON SESSION

MR. JOHN MAGEE - Recalled
MR. HUME: Mr. Chairman, before Mr. Sinclair

cross-examines Mr. Magee, there is something I wanted to say for the record that arises out of the remark of Mr. Sinclair this morning in which he referred to the Alberta Automotive Transport Association as "rabble rousers". I only want to say this that I do not ^{intend to} defend this Association in the matter. They started in 1938 with ten members and have now over 2,200, but I do want to put on the record this reference and state that I think remarks like that are unfortunate and I cannot conceive that that reflects the attitude of the Canadian Pacific Railway, and that it must be a remark made by Mr. Sinclair from his own opinion.

MR. SINCLAIR: I would like to say, Mr. Chairman, that the term "rabble rousers" was not one that I conceived but was first used by a member of the Government of the Province of Alberta in referring to the Association and their executive officers.

THE CHAIRMAN: I think he lumped the Canadian Pacific Railway and the truckers in condemning them both.

CROSS-EXAMINATION BY MR. SINCLAIR

MR. SINCLAIR: Q. Mr. Magee, on page one you refer to these 14,000 communities that have no rail service. Can you tell me how many of these are served by over-the-road for-hire trucks?

A. No, I cannot.

Q. On pages seven to eight you refer to the fact that for a short period truck rates in Ontario were higher than railway rates. Can you tell me, in view of the fact that there is no provincial control in Ontario, how you know this to be a fact?

A. Yes; I can give you a history of where that rate increase began. The transportation industry, as you are aware, was under the Wartime Prices and Trade Board

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A. Yes; I can give you a history of where that rate increase began. The transportation industry, as you are aware, was under the Wartime Prices and Trade Board

control until September 15th, 1947, and any truck rate increase that had to be made in the Province of Ontario was made by its operators to the Wartime Prices and Trade Board, and arising from this a 27% rate increase in Ontario did not come into effect before September 15th, 1947.

THE CHAIRMAN: A 27% increase to whom?

A. To the drivers of the large for-hire truckers who were unionized by the International Brotherhood of Teamsters. The Ontario Association made application to the Wartime Prices and Trade Board for a 20% increase for less than truckload lots and they also asked for an increase in the minimum charge for minimum shipments of 100 pounds or less to 75¢. The Wartime Prices and Trade Board before September 15th, 1947, gave the trucking industry of Ontario an increase in the minimum charge for a shipment of 100 pounds or less, and they also gave the Association a letter stating that in view of the financial position of the industry, which they had carefully studied, the matter of the 20% increase in less than truckload rates was still under consideration. They were still considering it and while they were considering it the entire transportation industry was decontrolled on September 15th, 1947, and a general rate increase of 20% on less than truckload rates went in in October.

Q. You say that they asked for an increase from the Wartime Prices and Trade Board and after they went out of existence and were no longer in control of highway transportation that the truckers did apply that increase?

A. Yes.

Q. Universally?

A. Certainly not every company in the Province of Ontario because there would be so many it would be very

silly for me to say that all 4,000 truckers in Ontario raised their rates 20%, but I have given a general statement to indicate a general position, and I know that that was the position. Large fleet operators raised their rates 20%. I know some of them said they were losing some traffic to the railways but it was better to keep up the 20% increase than go broke.

Q. There is a rigid price set?

A. No, Mr. Chairman.

Q. That was in Ontario?

A. Yes.

Q. In Ontario the Board fixed these rates as maximum rates?

A. No.

Q. Someone fixed those rates and granted the increase?

A. No, they tried to get the Wartime Prices and Trade Board to fix the increase.

Q. Who authorized these figures?

A. The carriers just went ahead and put it in themselves.

Q. It was by agreement among themselves only?

A. I wouldn't like to say it was by agreement.

Q. You talked about an increase having been authorized?

A. If I said an increase was authorized I used the wrong word.

Q. What is the word? In any case, the Ontario Board had nothing to do with it?

A. No, it is a voluntary rate increase.

Q. A sort of price fixing by the truckers themselves?

A. It was approximately that, Mr. Chairman; approximately that.

Q. An approximate agreement; is that it?

A. I do not know whether anything I say before the Commission is privileged.

Q. You yourself said that they were at liberty to take it and some of them took it and some did not?

A. The vast majority did.

Q. What authority was there behind that; just an agreement among the truckers themselves?

A. It was an agreement.

Q. Among the truckers themselves?

A. Yes, sir.

Q. And some broke away from it and kept on charging lesser charges?

A. Yes, some of them did not go along at all on it, Mr. Chairman, but the vast majority of the large for-hire fleets in Ontario did.

MR. SINCLAIR: Q. Was there any price cutting war?

A. No, they just let the few trucking companies that felt that they did not have to raise their rates, they let them charge 20% less. The other big companies with the union men were forced to charge that.

Q. Was there any agreement between those truckers in Ontario regarding truckload increases, we will say for a minimum of 35,000 or 10,000 pounds?

A. Well, from the time that the less than truckload increase went into effect I didn't study carefully the rate increases that occurred after that because it was an Ontario matter and I preferred not to be too familiar with it.

Q. Have you a copy of the agreement that was made?

A. There is one thing I can say for sure, that there was no signed agreement between any operators that

such an increase would go into effect.

Q. You say that this is the first time in the history of the trucking industry that the highway freight rates had risen above rail rates?

A. No, it is not. Prior to ---

THE CHAIRMAN: What page are you reading from?

MR. CINSLAIR: At the top of page 8, my lord.

THE WITNESS: Mr. Chairman and Commissioners, prior to the end of the Wartime Prices and Trade Board control of the transportation industry on September 15th, 1947 it was quite proper for Association officials to foregather with the operators in discussion of rates, and I was present at some of the discussions that took place, and I know very well that all the leading operators were represented there and there was a good deal of searching examinations as to whether they should adopt the increase on less than truck load rates because it had never been done before, and they did not have enough confidence in their services at that time as to whether they could put that 20 percent. increase on and hold it at 20 percent above the existing rail rates and keep it up.

Q. Can you tell me what percentage of tonnage among those operators with fixed rates move

less than truckloads and those who move truckloads?

A. No, I can't tell you that.

Q. Does your association keep any statistics or railway rates as compared with truck rates?

A. Statistics as to railway rates?

Q. As compared to truck rates?

Q. No, not the Canadian Automotive Transport Association.

Q. I am instructed that truckers in Ontario did not increase their truckload rates at this time?

A. No, they didn't increase their truckload rates.

That is quite clear in the brief.

Q. You wanted an increase in less than truckload rates?

A. I never put it that way. The reason the truckload rates were not raised was because they could not be raised and the traffic held.

THE CHAIRMAN: Q. You mean that the traffic would go to the railways?

A. Yes, a very large percentage of the truckload traffic.

MR. SINCLAIR: Q. Merchandise traffic in carloads was increased by the railways?

Q. Yes.

Q. Can you tell me whether there is any differentiation between truckload or less than truckload?

Q. I can give the answer if you can tell me what happened about this 8 percent increase. I am not sure as to what happened to the 8 percent increase. Has it gone into effect?

Q. Have you made an inquiry of railway traffic officers?

A. I am merely asking the question.

Q. The situation was, as we put on the record the other day, that the railway officials were studying the competitive rates to see whether they could increase them by 8 percent. In view of that statement, can you tell me?

Q. Yes; in April, 1948 in the Province of Quebec and in April, 1948 in the Province of Ontario, there was a 20 percent increase in truckload rates. That is, the railway rates went up 21 percent and when the railway competitive rates went up 15 percent. ---

THE CHAIRMAN: Q. Does that mean 20 percent above

railway rates or above or the provincial truck rates?

A. Over the truck rates. That left them about one percent above the railway rates after the 21 percent. had gone into effect.

MR. SINCLAIR: Q. The Commission has been advised that in September of that year a further increase of 15 percent was applied for above the 20 percent. of the railways. Did the truckers up their rates 15 percent?

A. There was in November, 1948 in the Provinces of Quebec and Ontario a rate, so far as the reports which we received, led us to believe that the 15 percent. increase in less than truckload rates followed the railway 15 percent competitive rate increase. In the Province of Alberta there was a 21 percent. general rate increase in April, 1948 and a 15 percent. increase in less than truckload rates in September, 1948.

Q. Do your notes show that there was any increase after November, 1948 of truckload rates?

A. No, there was no increase in truckload rates in Quebec in November, 1948 or in Ontario in November, 1948 or in Alberta in September, 1948 no increase in truckload rates.

Q. You said there were meetings in Ontario in 1947?

A. While we were under the control of the Wartime Prices and Trade Board there was a meeting in Ontario in 1947.

(PAGE 10415 FOLLOWS)

Q. And when these meetings are held, as to whether increased tolls are required by truckers?

A. What meetings?

Q. You stated there was a meeting in Ontario in 1947?

A. While we were under the control of the Wartime Prices and Trade Board there was a meeting in Ontario in 1947.

Q. Did they consider at that time what rate of return they should have on their investment?

A. The truckers?

Q. Yes.

A. Well, most of the people said they were not making very much money. I do not think the question of rate of return came up.

Q. Is it your view that the truckers should have a fair rate of return on their investment?

A. Definitely.

Q. And what would you consider to be a fair rate of return?

A. I am not in the trucking business. I am afraid I have no views.

Q. And your Association has no views?

A. No. We have never set any figure which we would consider to be a fair rate of return. I believe they have in the United States, in the trucking industry. But we have never done so here.

Q. At the bottom of page 8 and through page 9 you set out a table which came from a study of the A.A.R., regarding what shippers normally use trucks. Now, the only persons who would be able to answer this would be the shippers or the receivers who use the trucks. Isn't that correct?

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A. Yes, that is correct.

Q. So that therefore it is not a cross-section of the shipping public and their preference for trucks versus rail or rail versus trucks?

A. No. The railroads merely wanted to find out from those using trucks why they were using them.

Q. And it may be that some of them were in a preferred position for truck movement on account of where their plants were situated, or on account of other reasons?

A. Yes, and the reason we placed some credence in this report was that the Federal Coordinator of Transportation in the United States made a study, I think it was in 1933; and his questionnaire was directed to no less than 35,000 shippers throughout the United States, shippers and industrial traffic managers; and

the results of the survey made amounting to 35,000 as to the reason for using trucks was not comparable to the results obtained by the Association of American Railroads in their study in 1946.

THE CHAIRMAN: You call this man "Federal Controller"?

A. Federal Coordinator of Transportation.

Q. Is he an official of the I.C.C.?

A. No. He was a special investigator appointed by President Roosevelt, Mr. Chairman, under the Emergency Transportation Act, I think it was, 1932 or 1933.

MR. SINCLAIR: That was a depression measure, was it not?

THE CHAIRMAN: Does he still carry on?

A. No. Because of the pressure of the railway labour unions upon Congress. His office had to be

renewed year by year. And in 1936 the office came to an end as a result of representations made to Congress by the railway labour unions. Moreover, I do not think that railway management in the United States was too happy with some of the things he was studying. I think that was the opinion which the Coordinator himself voiced in his last report.

Q. There has been no coordinator since 1936?

A. No, there has not. He studied all phases of transportation.

MR. SINCLAIR: Do I understand that your Association feels that the various types of users of the highways pay their fair share of the cost of maintenance and construction of such highways?

A. Yes, sir.

Q. And do you think that if each of the users did pay his fair share, that would define economically the sphere of truck operations in their various districts?

A. Yes. We have an economic sphere in the fact that the users of the highways are paying their fair share of highway costs.

Q. Do you think that the private trucker pays his fair share of highway costs?

A. Well, I think the provincial governments -- I think he must, because the provincial governments tax him, and they must consider very carefully who they are going to tax and how much,

Q. Do you think that the members of your Association of hired truckers should pay more than a contract carrier?

A. I am afraid we have never gone into this question. I have no opinion on it, that is, no official

opinion, and I do not think that my personal opinion would be of much benefit.

Q. You have not studied the question of allocation of costs between the various users of the highways; is that correct?

A. We have voiced our opinion and I have to stick to what I have in our brief, because I come here today under instructions of my members, not to express my personal views.

Q. Have you made a study of the allocation of costs between the various users of the highway? If you have not, say so.

A. I have not, personally.

Q. Well then, has your organization?

A. No. Our national organization would not make any such investigation. That would come within the purview of our provincial association.

Q. Well then, have your provincial associations made any investigation or study into the allocation of costs between the various users of the highways?

A. To be quite frank with you, I have never asked them.

Q. Then on what basis did you state in this brief that the highway industry was paying its fair share?

THE CHAIRMAN: Where is that stated?

MR. SINCLAIR: Q. He just mentioned the position back in his brief.

A. We simply support the action of the various provincial governments.

Q. At page 13 the brief says:

"This Association respectfully submits that each province has, by its system of licensing, assessed each truck being operated, according to

its size and carrying capacity, the amount considered to be a fair annual charge for that truck's operation on the highways."

And in answer to me he said that their Association felt that the truckers were paying their fair share. And I then suggested, my lord, that his statement was founded on no study or investigation.

A. I think you asked for the basis of my statement, and I have not given my answer yet.

Q. Oh, I am sorry.

A. On page 13 of our brief we state:

"This Association respectfully submits that each province has, by its system of licensing, assessed each truck being operated, according to its size and carrying capacity, the amount considered to be a fair annual charge for that truck's operation on the highways."

Q. All right. "Considered" by whom, by you?

By your Association, I mean; considered by your Association?

A. The amount considered by the province. I think that is clear from the wording of the brief.

Q. Well then, do you consider that the various trucking phases on public highways are paying their fair share?

A. Do you mean the hired truck operators?

Q. All types, private truckers, trucks for hire?

A. Definitely we say they are paying their fair share.

Q. And that is based on no study or investigation made by you or your Association or any of its members?

MR. HUME: He does not know that.

THE WITNESS: That is the view of the federation

which is called the Canadian Automotive Transportation Association.

MR. SINCLAIR: Q. You do not want to answer me. Have you or any of your members made any study or investigation?

A. I have already answered that the Canadian Automotive Transportation Association has not. But, of course, its brief was drawn up by six provincial associations all of whom are represented.

Q. Have any of those associations made such a study?

A. I have already said that I never asked them. Possibly they made studies and they had those studies in mind when this brief was prepared.

Q. Would you make inquiry as to whether they made such studies and advise the Secretary and let us have copies of those studies that have been made? Could you do that for us?

A. Yes.

Q. If a private trucker or a contract trucker was not paying his fair share of the cost of construction, maintenance and operation of the highways, would your association be content to allow that situation to continue?

A. The only way I can answer you -- I cannot give you a direct answer to that question because we have no opinion on it. There is a conflict of interest between the private operator and the for-hire operator and even between the contract trucker and the for-hire trucker. We are not going to get ourselves into the position of saying there is unfair competition because you are not paying your fair share of the highway taxes, or you are not regulated.

Q. If you paid \$200 and the private carrier paid \$100, would you think that was fair?

A. I cannot answer that question.

Q. When a truck operator is unable to continue giving service because he feels there is not enough return for his investment, would you compel him to give service? Suppose he is an independent trucker operating one or two trucks and not a line?

A. I do not know. I think in British Columbia there is a regulation which compels him to go on until he has got permission from the Board to stop. I do not know whether that is so, but I believe that is the case. I shall find out. Mr. Goodman can answer for the province of Ontario, since he is here today.

Q. Would your Association be in favour of having such legislation enacted in each of the provinces?

A. Legislation to --

Q. Once an operator has started to serve a locality, to compel him to continue?

A. Well, we would have no objection to that legislation coming in. Of course, if the fellow went bankrupt, it would not be of much use. The regulatory body would say to him, Go on.

Q. Therefore, to protect the public they would have to file some kind of bond which would be a penalty, which would force them not to stop.

A. I am afraid I cannot answer that question. I do not want to start writing this uniform legislation which we would like to see now, because I might have to answer for it to my members afterwards, if I did.

Q. Take Kingsway or Smith.

A. He is not a member of our Association.

Q. But he is a member of one of the affiliates of your Association?

A. He is far removed from the national office.

THE CHAIRMAN: What is this particular concern affiliated with?

MR. SINCLAIR: One of the suggestions made is that there is no unfair competition from highway operators. I am just trying to point out that the lack of compelling them to provide service is a means of unfairly competing with the railways, because they can go in or out pretty well as they please, particularly in provinces where there is no regulation, or where there is no compelling necessity to give the service, such as under a penalty.

THE CHAIRMAN: Did you not refer to some particular operating company?

MR. SINCLAIR: That was merely an example.

THE CHAIRMAN: What happened to them?

MR. SINCLAIR: He gave me an example. He said, Say a small operator went bankrupt. There would be really nothing to be gained. So I was going to take a big operator who might want to abandon a small service where he would not be going bankrupt, but where he found that the service was unprofitable; and once he had given that service, would it be the view of the Canadian Automotive Transportation Association that he should, by legislation, be compelled to continue the operation of that service?

THE CHAIRMAN: That would be by provincial legislation.

MR. SINCLAIR: Q. I am coming to the next step. He tried to say that the provincial authorities should control interprovincial trucking, and that Smith and

Kingsway were both in the interprovincial field. And I was going to ask him if he agreed with that and the kind of legislation he felt would be effective to make that interprovincial movement continue.

A. This seems to be a case when our whole argument for equality of regulation as between truck and rail falls to pieces completely, because how are you going to regulate a company of the size of Kingsway Transport, even if it is the largest trucking company in Canada, on the same basis as the Canadian Pacific Railway? On the one hand, one concern operates 640 vehicles, while on the other hand the other concern operates, I think, 70,000 or 80,000 freight cars? They differ so greatly in their characteristics, I think it would be extremely unfair to try to put them under equal regulation.

Q. I was not talking about equal regulation. I never said anything about uniform regulation. I was talking about specific regulation and whether your Association was in favour of it. I am not asking for equality because some of the regulations of the railways are not applicable to truckers. That has always been the position of the Canadian Pacific. Do you think that truckers should be allowed to carry foodstuffs in stock cars on back haul movements?

A. On back haul movements, I have no information on that at all.

Q. Does your Association think there should be regulations prohibiting it?

THE CHAIRMAN: Prohibiting what?

MR. SINCLAIR: Prohibiting the carriage of foodstuffs in stock trucks?

THE CHAIRMAN: You mean as a matter of public health?

MR. SINCLAIR: Yes.

THE CHAIRMAN: That again would be provincial legislation.

MR. SINCLAIR: Q. Yes?

A. Our Association has never defined any policy in that matter at all, and I doubt if we ever will. Our provincial associations might get rather interested in it for some reason or other; but it does not come within our purview, because we have none of this traffic, of these truckers as members of ours. We have only six provincial trucking associations.

Q. You are hiding behind that fact?

A. I am not hiding. I am here to be of as much assistance to the Commission as possible.

MR. HUME: "Hiding" behind something is not proper language.

THE CHAIRMAN: No. The question is whether this Association which you represent here, Mr. Hume, would be in favour of public health laws preventing the carriage of foodstuffs in certain cases.

MR. HUME: I have not any instructions, but I would say they would be; and I believe that there are provincial regulations to protect health; and that any abuse which has sprung up over the years has been corrected by legislation. I do not know what that legislation is, but we are certainly in favour of it.

MR. SINCLAIR: Q. Now, at the top of page 12, Mr. Magee, on the policy of large shippers owning and operating their own transportation equipment, you say:

"The ability of the larger shippers to own and operate their own transportation equipment will render abortive any attempt to protect the railways from highway competition."

A. Yes.

Q. Do you think that private truckers abrogate the law in this province which controls the licensing of traffic?

A. Could you not give me a simpler word than "abrogate"?

Q. Well, flout the law. Is that better?

A. Do I think that the private truckers flout the law in the provinces where they operate?

Q. They operate in all the provinces.

A. No. I do not think they flout the law.

Q. You would describe what Mr. Moffat of Manitoba advised the Commission: that farmers often carry goods for compensation in Manitoba, as how?

MR. SHEPARD: I do not believe Mr. Moffat said that.

MR. COVERT: I do not think it matters to this Commission at all.

THE CHAIRMAN: We have been listening to a great many things which come within provincial jurisdiction without forcing the information on us, and we are told that nobody wants us to interfere with provincial jurisdiction.

MR. SINCLAIR: Except that it may be a matter of necessity to secure uniformity of regulation by means of a Dominion scheme to secure amendment of the B.N.A. Act.

MR. COVERT: What I meant was the questioning now whether or not the Manitoba people, private truckers, were flouting the law or abrogating the law. I respectfully suggest that we get on with something else.

MR. SINCLAIR: One of the biggest problems which

the railways have cross-examined on evidence given here is the question of competitive rates and the competition being received from truckers; and everything which points towards that, I submit, should be helpful to the Commission.

THE CHAIRMAN: If you will bring up something which bears on that point, I shall be very glad to hear it. There is a statement here:

"The ability of the larger shippers to own and operate their own transportation equipment. . ."

MR. SINCLAIR: Yes.

THE CHAIRMAN: They can only do that subject to the authority of the province?

MR. SINCLAIR: Yes.

THE CHAIRMAN: And the brief says that the ability which they have "will render abortive any attempt to protect the railways from highway competition". That ability seems to take for granted that nobody can control them. But they are controlled. The word "ability" used in the brief would seem to indicate that they are beyond all control, which is not the case.

MR. SINCLAIR: And so, my lord, that is why I am going to suggest to the witness that possibly the only way to have it effectively controlled would be to have some central body where political pressure would not so much affect the enforcement of highway regulation.

MR. FRAWLEY: Is there an inference there? If so, I deny it, so far as Alberta is concerned.

THE WITNESS: Is there any inference that the Board of Transport Commissioners is beyond political pressure? We would not want to be under that Board.

MR. SINCLAIR: Q. I am just asking about trucking.

A. If you say there would be some advantage if we were under some Federal board --

Q. You would not agree with that?

A. Definitely not. It would be the beginning of the end for us when that happened.

MR. HUME: I think the word "ability" means merely being able to go out and provide a truck, provide their own transportation.

THE CHAIRMAN: No. It is the ability to own and operate their own transportation equipment; and that ability is subject to provincial authority, such provincial authority as there may be over them.

MR. HUME: That is quite correct.

THE CHAIRMAN: That is all I am saying.

THE WITNESS: Our feeling is that it is a phase of competition which we face, and we do not feel that in the public interest, no matter how much it hurt us, we should be abrogated or restricted.

THE CHAIRMAN: Q. That is for you to make up your minds about.

A. We have made them up.

Q. Then you must not use that against other people.

MR. SINCLAIR: Q. On page 15 of your brief under the heading of "Discrimination against Highway Transport", in the second paragraph you deal with the regulation of truck traffic through the national parks of Canada.

A. Yes.

Q. And you say:

"If this order is intended to protect the railways, it is respectfully submitted that it should be reviewed and revised."

Is it your submission that it is to protect the railways?

A. I think our previous witness, Mr. Taylor, brought out that the intent of the order was to protect the railways.

Q. Did it ever occur to you that it might be to protect the interests of the national parks as a tourist attraction?

A. No, because we have here a letter from the private secretary to the Minister of Mines and Resources, in which he says:

"You will appreciate that the Department must keep in mind the interests of those concerned, including the two railroad companies."

Those are the only interests he singled out for specific enumeration.

Q. Do you not know that the Alberta national parks are tourist attractions?

A. That relates to passenger traffic.

Q. It does.

A. I think that tourist travel is passenger traffic, and we were looking at this from the standpoint of freight haulage.

Q. Would not freight haulage disturb the scenic beauty of Banff National Park?

A. Not if the situation is taken care of in a little better way than the Federal Government indicates in this letter from the secretary to the Minister of Mines and Resources.

Q. Maybe the people who control the national parks consider that large trucks on the highways passing numerous tourist cars constitute a hazard.

A. And the only reason the Federal Government would give us was the protection of the interests of

those who were concerned, including the two railroad companies.

THE CHAIRMAN: You might tell us now what access the two railway companies have into these parks.

MR. SINCLAIR: All access.

THE CHAIRMAN: The tracks run through the parks with stations here and there?

MR. SINCLAIR: Yes, and the communities are gathered around the railway tracks in the parks; but the population, so far as the railways are concerned, is scarcely more than negligible.

THE WITNESS: Trucks may go in and out of the parks to make deliveries in the parks and to bring stuff out; but there are no through truck hauls allowed.

THE CHAIRMAN: Q. What is that?

A. There are no through truck hauls allowed.

Q. They can go in the park from one side and go as far as they like, provided they come out the same door that they went in.

A. That is correct; and also the largest type of passenger buses, I think, the largest operating in western Canada, by Greyhound Lines, are allowed to go right through the parks with through park hauls.

MR. SINCLAIR: Q. How do you think that public convenience and necessity of the public in Banff National Park would be served by through traffic?

A. The reason why the trucking industry wants to go through is that we feel we can give a better service in the way of transportation than can other transportation media, and we are willing to take our chance in competition with other transportation media.

Q. But how would the people in Banff National Park benefit by through trucking?

MR. FRAWLEY: Perhaps we ought to ask the people in Banff Park that question.

THE WITNESS: They might benefit indirectly in the case of something they buy, through cheaper service or faster service or more flexible service.

MR. SINCLAIR: Q. By through trucking?

A. Yes.

Q. The people who would be engaged in through traffic would compete with the existing lines which now operate in and out of the park?

A. Yes.

COMMISSIONER INNIS: Q. Is this true of all national parks?

A. No. I think it is only true of those national parks: Banff, Yoho, Kootenay and Jasper.

MR. FRAWLEY: That is the route of the Big Bend Highway, in other words.

(Page 10431 follows)

Q. Now, on that page following on discrimination -

THE CHAIRMAN: Are you suggesting then that the trucks are losing something by not being able to go through these Parts? They are forced to go around the Parks.

A. Yes, that is correct Mr. Chairman.

Q. The other day we heard about their inability to get conveniently into British Columbia?

A. Yes.

Q. What do they do in the face of this prohibition to go through the Parks? How are they carrying on?

A. I believe that some of them are using what is called the Southern Trans-Canada Highway.

Q. What I mean to say is, I would like to know to what extent has any injury been suffered by these trucking companies. Have they been put out of business, any of them, or are they carrying on under a handicap?

A. Those who are carrying on, Mr. Chairman, are carrying on under the handicap of having to travel a much longer distance. There were some companies - I think Mr. Taylor the other day gave the name of one which had been put out of business as soon as the ban went on in 1940.

Q. Is this in Alberta?

A. Alberta and British Columbia. The company was in Alberta Mr. Chairman.

MR. SINCLAIR: At page 13 you suggest any study of highway costs should be done by the provinces?

THE CHAIRMAN: Let us see where those words are.

MR. SINCLAIR: Under the heading "Transportation Subsidies" in the third paragraph - "That any study should be made by the provinces who have constructed the highways."

Now, with regard to these highways in the National Parks they were constructed by the Dominion, were they not?

A. Yes.

Q. Any study of highway costs over those roads should be carried on by the Dominion?

A. Yes.

Q. And any time the Dominion contributed to the building of highways, the Dominion should, to follow your reasoning, inquire into the costs of highways?

THE CHAIRMAN: Are you saying that in any case where the Dominion has contributed to the building of highways?

MR. SINCLAIR: Yes.

THE CHAIRMAN: Well, in the National Parks the Dominion built the highways. They are their property. Where do they contribute?

MR. SINCLAIR: Well, I understand that they are going to contribute to the Trans-Canada highway.

THE CHAIRMAN: But at the present time you do not know of any cases where the Dominion does contribute?

MR. SINCLAIR: I believe they made some contributions in regard to relief payments during the depression.

THE CHAIRMAN: I believe that is right. I don't think they kept any lien or right on the highways in the provinces.

MR. SINCLAIR: My lord, I was going to ask him if his Association considered that as a condition of the payment of the monies for construction there should be the right to have an investigation of the costs of various highways.

THE WITNESS: Under federal auspices?

MR. SINCLAIR: As a matter of principle Mr. Magee?

A. No, I am instructed to reply to these questions where there is a matter of federal or provincial jurisdiction that if the federal government had assisted in the building of a provincial highway (I think that is what you are asking me) it would be our feeling that the provincial government should make the investigation.

Q. Because they paid for it?

THE CHAIRMAN: If any such thing occurred, Mr. Sinclair, there would of course, be some agreement between the province and the dominion governing the whole matter. It does not matter what you or I might think the agreement ought to be as it would be there you see. I don't think the dominion would interfere then with the subsequent care and maintenance of the highway; the province would look after that.

MR. SINCLAIR: My lord, merely placing in the agreement possibly the condition that the province before receiving this large amount of federal funds should be compelled by the agreement to carry on an investigation.

THE CHAIRMAN: Be compelled by the agreement?

MR. SINCLAIR: By a clause in the agreement.

THE CHAIRMAN: That is just what the truckers would not want them to do. Who is going to tell them that.

MR. SINCLAIR: I am suggesting that might be one of the fair ways of determining what the proper expenditure of costs is on these highways.

THE CHAIRMAN: I don't see that much can be gained by discussing that with Mr. Magee. It is a matter rather for argument. Does the Alaska Highway throw any light on that? Dr. Angus thinks maybe it does.

MR. SINCLAIR: Well, the only highway that I know of is, there was a highway from Prince Rupert into the interior that was built on Dominion Government funds.

THE CHAIRMAN: Building into the Alaska Highway?

MR. SINCLAIR: I don't know if it connected up with it or not. I don't think so. I hear now from Mr. Gaffney that it did not. It was built from Prince Rupert into the interior.

THE CHAIRMAN: By the Dominion Government?

MR. SINCLAIR: Yes.

THE CHAIRMAN: When was this done?

MR. SINCLAIR: During the war and then subsequent to the war, communities having been built up, the question of providing transportation across that highway arose and the position taken by the Canadian National, as I recollect it, was that they should have the right to operate on that highway because some of it was on their right-of- ways.

THE CHAIRMAN: You mean to operate the trucks on that highway?

MR. SINCLAIR: Yes. The Provincial Government as I recollect it tried to license a truck operation over that highway.

THE CHAIRMAN: Do you mean to say, tried to license a Canadian National truck operation? '

MR. SINCLAIR: No, an independent trucker.

THE CHAIRMAN: What occurred?

MR. SINCLAIR: As I understand it, they refused to - oh, I am instructed there has never been a decision handed down.

THE CHAIRMAN: Who has the decision under consideration?

MR. SINCLAIR: I imagine it is the British Columbia Public Utilities Board.

THE WITNESS: That is correct Mr. Chairman.

THE CHAIRMAN: Well, what is the question there - who owns the highway?

MR. SINCLAIR: That is one of the questions.

THE CHAIRMAN: Well, you can understand these incidental matters of that kind arising where the Dominion for war purposes has built a highway and then what is going to become of that highway when peace comes, and the military use of it no longer applies. They do not affect the general question of highway control. Highways generally speaking belong to the province?

MR. SINCLAIR: Undoubtedly.

THE CHAIRMAN: And whether or not any particular user of the highway is contributing his fair share to the upkeep of the highway is a matter for provincial concern.

MR. SINCLAIR: It is quite so constitutionally, my lord, but when it gets to be a problem of National importance such as it has in regard to the competition of the railway industry, then I suggest that it may be a matter for the Dominion to exert -

THE CHAIRMAN: To do what?

MR. SINCLAIR: To exert every effort by co-operative measures to get and have uniformity at a proper basis and that is what we are urging this Commission to recommend.

THE CHAIRMAN: To approach the provinces and to get them to agree to something?

MR. SINCLAIR: Yes.

THE WITNESS: I might add, Mr. Chairman, that Mr. Howe made a statement when he was Minister of Transport that unless our co-operation could be secured it would be almost useless to attempt to regulate international and interprovincial traffic; if the large industry that was mostly under provincial control was very strongly opposing the federal control of that type, that we would have to be won over as well as the provinces. I think I have the quotation back in our office, Mr. Chairman.

MR. SINCLAIR: Now, Mr. Magee, would you turn to that section of your Brief that deals with "Railway Operation of Highway Transport"? That is on page 16.

A. Yes.

Q. Now, you would agree with me would you not, Mr. Magee, that the integration of the two forms of transport, that is rail and highway, should take place where service to the public is enhanced?

THE CHAIRMAN: Would you please give me the reference to this page?

MR. SINCLAIR: I am dealing with pages 16 to 18.

THE CHAIRMAN: Under the heading of "Railway Operation of Highway Transport"?

MR. SINCLAIR: Yes, and the question I have asked the witness is whether he would agree that there should be integration of highway and railway transport where that would result in improved service to the public.

THE WITNESS: If that integration involves co-operation between two entities, the trucking industry as an independent industry and the railroad industry as an independent industry, we would agree with that.

Q. Can you just answer-would you agree that there should be integration on any condition if it did improve the services - never mind the provisos

A. I am sorry but integration is rather a sweeping term and I have to be sure that the Commission understands the type of integration we would like and I just answered the question.

Q. Then you would not agree to have service improved to the public if there could not be co-operation between the railways and the independent truckers. Is that correct?

A. You will have to repeat that question.

Q: Am I correct that you would not agree, or your Association would not agree, to have an integration of the rail and highway services where that could not be brought about except by co-operation between the railways and independent truckers even though it would result in better service to the public?

A: That is the longest question that has ever been put to me. I am trying to understand it.

Q: You understand it, Mr. Magee, do you not?

A: Mr. Chairman, I cannot be rushed into answering this question. This is a difficult one and it is a long one and I will have to have some time to answer it.

THE CHAIRMAN: It seems to me that Mr. Sinclair wants to know if your Association would co-operate in implementing such a co-ordination.

MR. SINCLAIR: No, what I put to the witness was that if the public could benefit and that a co-operation could not take place (and I am assuming that it could

not for the purpose of this question) would his Association be against that integration taking place?

A: Well, I know of no case - I suppose the answer is no for the simple reason that I know of no case where there is not an independent operator available to co-operate with the Canadian Pacific Railway if they will only come to us and ask for co-operation.

THE CHAIRMAN: You seem to consider co-operation and co-ordination as being opposed to each other.

MR. SINCLAIR: Not necessarily.

THE CHAIRMAN: You say if you cannot have co-operation will they agree to co-ordination?

MR. SINCLAIR: The real question, my Lord, and that is what I am trying to get from this witness, is does he think-and maybe it will be helpful if I put it to him now. Do you think that you can have complete integration/^{by}co-ordination of two forms of transport when they are underseparate and independent managements?

A: It is in effect today. I think it is in effect in Canada today.

THE CHAIRMAN: What is your answer?

A: My answer, Mr. Chairman, was that I think it is in effect in Canada today. If I heard Mr. Gaffney correctly when he gave his testimony for the Railway Association, I understood that the Canadian National had made contracts with motor vehicle operators to carry on services for the railways. Is that correct?

MR. GAFFNEY: I made no such statement.

COMMISSIONER INNIS: Was "colleboration" the word you were wanting?

THE CHAIRMAN: Now, this may be very interesting as far as dialectics are concerned - Mr.

MR. SINCLAIR: The point I am trying to make is

that this Association comes and submits before this Commission that railways should not be allowed to enter into the highway transportation business.

THE CHAIRMAN: This brief says that?

MR. SINCLAIR: Yes, and I am now trying to test the witness' reasons for such statements and the thinking that is behind it because it is the announced policy of the Canadian Pacific Railway to go on to the highway and to try and co-ordinate the two forms of transport so that the service to the public will benefit.

THE WITNESS: Well, there is no co-ordination in the operations of the Canadian Pacific Transport Company in Western Canada and those 2700 miles of route you have had for several months.

Q: Let us have a look at that. You have an exhibit there. That is an exhibit which was filed by Mr. Frawley in Toronto. The service that operates up and down the Okanagan Valley by O.K. Valley Freight Lines Limited, a subsidiary of the Canadian Pacific?

A: Is that a subsidiary of the Canadian Pacific Transport Company?

Q: Yes.

A: I thought you said this morning it was a subsidiary of the Canadian Pacific Railway?

Q: Well, Canadian Pacific Transport is correct, but Canadian Pacific Transport does not operate in British Columbia.

A: No, their subsidiary does.

Q: Do you know what traffic is handled by the O.K. Valley Freight Lines on their trucks that move up and down the Okanagan Valley?

A: No I do not.

Q: I suggest to you that traffic moving from

Vancouver is set out in railway cars at Penticton and moves up and down the Valley?

A: I will agree with you about that but I will also say that O.K. Valley Freight Lines is in competition with the Canadian Pacific Railway and other traffic.

Q: Now how is L.C.L. handled on the Canadian Pacific between Kelowna and Penticton on the railways? How does it handle it?

A: I believe there is some co-operation between the Canadian Pacific and the O.K. Valley Freight Lines Limited.

Q: So it is only a barge service in there, is it not?

A: Yes.

Q: So by moving this traffic by truck and taking it off the barges, the public got better service and benefitted. That is correct is it not?

A: The public got a service.

THE CHAIRMAN: But Mr. Sinclair, has the railway acquired this trucking company?

MR. SINCLAIR: Yes, my Lord.

THE CHAIRMAN: Because I notice in the brief that they say that the Railway Act of Canada be amended so as to prevent acquisition of highway transport operations by the railways. You are trying to show that it does exist now and that it is beneficial. You are getting the Witness to say that?

MR. SINCLAIR: That is right. Now, we will take Brandon, Manitoba. There is service down to Boissevain from Brandon, Manitoba. It does not show it on your map, but the Canadian Pacific provides a service between Brandon and Boissevain out to Deloraine?

A: Yes, that is correct.

Q: And they bring over cars from Winnipeg, set them out at Brandon, load those trucks and distribute both north and south of Brandon to the various towns giving next morning delivery by the Canadian Pacific there?

A. Certainly I will accept your statement -

MR. COVERT: I don't want to keep interrupting Mr. Sinclair, but I do not see how he can try to prove out of the mouth of this witness this kind of stuff when he can put it in by a simple statement and it would be correct. This man obviously does not know.

MR. SINCLAIR: Then why does he make this statement? He made the statement that there was no co-ordination of the Canadian Pacific services. Now I think the proper place for me to clear up a statement like that is to test this witness' knowledge of the facts and to show just what is behind those facts.

THE WITNESS: Mr. Chairman, if I made the statement that there was no co-ordination, I will withdraw the statement and make a new statement, that there is some co-ordination because it has been shown to me that there has been some, but of all the operators I have talked to in Western Canada I know that those 2700 miles of highway operated by the Canadian Pacific Transport Company are largely competitive with the parent railway company and I will cite as an example a substantial rate cut which was put in by Dench of Canada last year for reasons - it might have been in competition with the parent railway company or it might have been for some other reason, -but the line where it was put in, as I understand it, was parallel to the line of the parent railway company.

THE CHAIRMAN: Is Dench a Canadian Pacific Railway

company?

A: Yes.

MR. SINCLAIR: What cut was that, Mr. Magee?

A: Well, I think it was about 21% on beer.

Q: But was that not an agreed charge that was entered into between Dench of Canada and the breweries with Freightways of Calgary?

A: I don't know whether anybody else was involved in it.

Q: Have you made an investigation before you talked about this big cut?

A: It was a very substantial cut and the independent truckers of Alberta were rather worried about it. That looked like the shadow of things to come.

Q: Was it not an agreed charge between Dench, Freightways and the breweries in the handling of beer?

A: I don't know if it was an agreement with some other trucker.

THE CHAIRMAN: Are you talking now of an agreed charge as coming within the Railway Act?

MR. SINCLAIR: No, the witness said that Dench of Canada made a large reduction of 21% on beer - on a specific route he said first, and then we got out that it was on beer. Then I suggested to the witness that there was an agreed charge entered into by Freightways (that is the other large trucking firm in Alberta) and Dench of Canada to handle all the beer for these breweries in Alberta for a stipulated amount.

THE CHAIRMAN: Well now, are contracts of this kind usual in the trucking business?

THE WITNESS: Such as the one made with Dench?

THE CHAIRMAN: Yes.

A: Well, the contract carriers can make them,

Mr. Chairman.

MR. SINCLAIR: Let us take Winters. That is the largest operator in Ontario. Has it not got some agreed charges for the handling of motor parts for General Motors?

A: I don't know; I only cited the rate cut by Dench to prove my statement that there is competition between the Canadian Pacific Transport Company and the Canadian Pacific Railway.

Q: I don't know, Mr. Chairman, he makes that statement based on a rate cut that I suggest to him is a contract, charged on beer for the handling of the whole traffic.

THE CHAIRMAN: Suppose there was competition. Supposing you were competing with yourselves. What is the result? What is the prejudice caused by that? Who is hurt? What do you mean Mr. Magee? You object to the railway running in competition with the railway's trucks running on the highways. Who is hurt by that? Your other companies - is that it?

A: Yes, they were hurt in this case. Mr. Chairman, I do not want to give the wrong impression about our views of the Canadian Pacific Transport Company in the making of rates. Generally they do not indulge in these things and have not.

Q: But you say here

"It is notable that all seven of these purchases (that is the companies the Canadian Pacific Railway has purchased) dealt with trucking operations which were, and remain, competitive with the Railway Company"

and that means that all these companies the Canadian Pacific Railway has got are running in competition to the Canadian Pacific Railway. What is the objection to that? Who is

hurt? You put it down here as an undesirable state of affairs. Now, tell me why it is undesirable?

A: Well, we do not feel, Mr. Chairman, that at the moment there is anything undesirable about competition in service.

Q: Well, one of the reasons you give why the Railway Act should be amended is so as to prevent acquisition of highway transport operation by the railways?

A: No, our argument as to why we do not want it occurs on Page 17, Mr. Chairman, in the third paragraph on Page 17.

Q: "The major investment of the railways is in railway transportation"?

A: Also in the paragraph before that, Mr. Chairman.

Q: You are afraid they will acquire a monopoly of all transportation if they are allowed to purchase? Is that the idea?

A: Yes, Mr. Chairman.

Q: Is not the prejudice then to the other companies who are trying to run and the public generally?

A: Yes sir.

Q: That there is a menace there of the Canadian Pacific Railway acquiring a monopoly of all transportation?

A: Yes, that is correct, Mr. Chairman. The prices that they are paying for these companies are such that none of our members could be expected to resist them. For instance, they could walk into Ontario tomorrow where you have forty fleet operators operating a vast majority of the vehicles in the province and buy them all out if they had sufficient money.

Q: But if all the operators in Ontario were quite

happy to do that, what does your Association see to complain about that?

A: I have to put it this way, Mr. Chairman. The operators are happy at the prices they have been offered by the Canadian Pacific Transport Company. Nevertheless, they believe that in the public interest, not without some considerable inner battle, that we should suggest to the people of Canada and in this case to this Royal Commission that action be taken to prevent them from doing what they would do if they had a chance to do it.

Q: That the temptation be removed?

A: That is precisely it, Mr. Chairman.

MR. SINCLAIR: I think, Mr. Chairman, I will have to ask the witness, in view of the statement he has made, has he investigated it.

THE CHAIRMAN: I can very well understand that that would be a bad thing for transportation if the railways acquired the monopoly not only of the rail but of the trucks on the highway. Now, that is one thing. What I do not understand yet is how the members of your Association say they are prepared to sell if the price was made attractive enough and then "Save us from ourselves"

A: That is precisely it, Mr. Chairman. I have attended all the discussions where this policy has been discussed and everyone has said that if they had an offer of enough money that would enable them to retire or go to Florida they would sell.

Q: But they do not want the offer?

A: They would like the offer but they are willing to go this far, that the Association will stand up and try and persuade those whom we must convince that regulation be put into effect to prevent them from doing that.

Q: You will go so far as to say you wish to have the

Railway Act amended so as to prevent the railways from acquiring highway transport operation?

A: That is right, Mr. Chairman.

Q: Now, what about it, Mr. Sinclair?

MR. SINCLAIR: I would like to ask the witness if he has made an investigation and if he thinks the prices paid by the Canadian Pacific were too high?

A: I did not say the prices were too high at all; I said they were so attractive that nobody could turn them down.

Q: But the inference there was that the Canadian Pacific paid too much for the services they purchased?

THE CHAIRMAN: You heard the peculiar nature of the case. It is peculiar, these people saying if they had a sufficient price offered to them they would accept it, but they want to be in the position where they are not to be tempted by the price. Now, they ask that it be made a legal impossibility, for the railways to be prevented by statute from acquiring this kind of transportation. From now on, would it not be better for you to take the other side of it and show why you should be allowed to continue doing what you are doing?

MR. SINCLAIR: I have been attempting to do that for the last twenty minutes.

THE CHAIRMAN: Couldn't you do it much better without using this witness?

MR. SINCLAIR: He has been making this statement on behalf of thousands of so-called members.

THE CHAIRMAN: Well, he has made the statement now.

MR. SINCLAIR: Well, I am just testing it to see if it is probative, my Lord, to see whether the statement

is made with facts behind it or whether it is a loose statement merely to create inference in that respect.

THE CHAIRMAN: What statement are you referring to?

MR. SINCLAIR: A number of the ones I have been going to in the brief.

THE CHAIRMAN: There are so many of them. We know the attitude taken by this Association. They want to have the railways ousted from the acquisition of these trucking companies. Now, they say "If this keeps on, if they insist, we can sell to them because they are offering us attractive prices but we would rather make that impossible and bind ourselves from doing that by preventing the railways from approaching us with offers". Now, that is the situation - curious as it may sound. That is what we are told. Now, you say you are to some extent now in this trucking business and there is no reason in the world why you should be prevented from doing it and extending your ownership and operation. But you seem to insist on having Mr. Magee agree with you.

MR. SINCLAIR: All I am trying to show, Mr. Chairman, is that here comes to this Commission a witness acting for some truckers who makes certain statements.

THE CHAIRMAN: What certain statements do you mean?

MR. SINCLAIR: A number of the ones I have been putting this afternoon. For instance, that the Canadian Pacific did not co-ordinate any of its truck and rail services; another one, the inference that we paid unduly high prices for these trucking lines that we acquired. The next one -

THE WITNESS: We considered that the prices were pretty high, Mr. Chairman, and I have two, unfortunately not here, that I can bring and have put into the record - two companies in Manitoba which were purchased by the

Canadian Pacific Transport Company and the details of the purchase prices were forwarded to the Manitoba Municipal and Public Utilities Board which is the truck regulatory body in Manitoba and which must approve such purchases before they can be consummated.

Q: Under the legislation of Manitoba you are not allowed to capitalize a licence and so, therefore, the Board requires you to come forward and disclose all the details of your purchases, and if there is any capitalization of a licence the Board will not allow the sale to go through and so, therefore, the suggestion that is being made by my friend - by the witness, is not supported at all. All I am trying to get at is what the facts are and what knowledge he has of this problem of highway transportation to show whether this evidence should be taken seriously or not.

THE CHAIRMAN: He says here that the prices are very high. Do you see something lurking behind that high price?

A: No, Mr. Chairman, I only drew that to your attention to point out that we cannot prevent the absorption of this industry by the railways if they are going to buy us out any more than the airlines of Canada would be so altruistic as to allow the railways to buy them out.

Q: Why do you think the railways should be prohibited from buying you out?

A: Because we feel we are striving for a transportation policy in Canada which will compel the various transportation agencies to remain independent in competing entities.

COMMISSIONER INNIS: Isn't it your contention then that a subsidiary taken over by the Canadian Pacific Railway charging lower rates than the railway rates becomes a weapon against further truck competition?

A: No, Mr. Commissioner, when I cited the case of Dench which had cut the rate in Alberta, I did not do so to give the impression that that was done generally by the Canadian Pacific Transport Company but only to back up my statement that the Transport Company was in competition with the parent Railway Company. I do not see how the Canadian Pacific Railway could compete with the truck companies. In any case they are unionized and in the operations in Manitoba the Canadian Brotherhood of Railway Employees, I believe it is, has secured a rather favourable agreement with them and their costs must be high in that province.

MR. SINCLAIR: In other words, you are objecting to the Canadian Pacific paying fair wages to its employees?

THE CHAIRMAN: Mr. Hume, perhaps you can tell us. Why does your Association wish to have the railways debarred from acquiring truck lines? You should be able to tell us if anyone.

MR. HUME: If I may sum it up, Mr. Chairman, reading from the brief itself, if I may draw your attention to the top of Page 17, it is my understanding of the position taken by the Association. They extract a report from the Inter-state Commerce Commission of 1946 as being something they approve of which reads:

"Having in mind ... the obvious public benefit to be derived from independent development of rail and motor transportation" and then the quotation goes on to say:

"We have looked with some concern at the apparent tendency of many railroads" and so on, and at the top of Page 18 the Association's policy and reasons are set out:

"This Association believes that the

independent development of the
various transportation agencies is
in the best interests of the nation"

And the basis for that belief is, as I think the witness has said, that they are afraid of the ultimate absorption by a stronger method of means of transportation and they believe it is in the best interests of the country to have the various media of transportation in competition with each other and providing the facilities which each is best fitted to perform rather than have one type of transportation running everything.

THE CHAIRMAN: Then you put it purely on the ground of public interest?

MR. HUME: Yes.

THE CHAIRMAN: Public interest should prevent the railways from going into the trucking business?

A: Yes.

Q: I suppose you would prevent the trucks from going into the railway business?

MR. HUME: Exactly. I don't think there is much danger of that, Mr. Chairman.

THE CHAIRMAN: Is there any other way round?

MR. HUME: Isn't that the whole case?

THE CHAIRMAN: You say the way to bring that about is to amend the Railway Act so as to prevent the railways from acquiring trucks and operating them?

MR. HUME: Yes, and again I repeat it is only the view of this one Association.

THE CHAIRMAN: You say the public interest would be better served that way than by having the railways acquire all the trucks in the country?

MR. HUME: That sums it up perfectly.

COMMISSIONER ANGUS: Is it quite as altruistic

as that, or is there some suggestion that if one, two, three or four operators are bought up the position of those who remain becomes less and less secure?

THE WITNESS: No, I want to be perfectly frank with you, Mr. Commissioner, because quite frankly the feeling of the operators is that once the Canadian Pacific Transport Company buys out a truck line they are going to have to maintain their rates because of this union agreement which they got into. They are a little more strenuous than the ones imposed on us by the International Brotherhood of Teamsters. It is generally believed in our industry that the Canadian Pacific Transport Company operating in Manitoba is losing a substantial sum of money and the only reason I bring that forward is to show that it is not because we fear that they are going to cut rates, though they did it in Alberta, but that it is quite impossible in our position for them to do it.

COMMISSIONER INNIS: Does this come down then to a struggle between the two unions, the Railway Branch and the Teamsters?

A: There is a conflict appearing, Mr. Commissioner, in Dench of Canada, which has been unionized for years, I believe, by the International Brotherhood of Teamsters. The Canadian Brotherhood of Railway Employees are trying to get in there.

MR. SINCLAIR: They withdrew their application.

A: But the union conflict is of no concern to us; we watch it but it means nothing to us.

Q: I think the position there is that the Canada Labour Relations Board had before it some weeks ago an application from the Canadian Brotherhood of Railway Employees regarding the Dench employees but

they could not draw the necessary majority and they withdrew the application.

A: Mr. Chairman, with regard to my statement that the prices were high, I would like to read from the proceedings again of the Annual Meeting of the Canadian Automotive Transportation Association, held in the Royal Alexandra Hotel, in Winnipeg, on December 1st, 2nd, and 3rd.

MR. SINCLAIR: Why can't the witness read from the proceedings before the Manitoba Public Utilities Board,, when the regulatory board approved the transfer of Hedges and Dinsdale Cartage Licences to the Canadian Pacific?

MR. COVERT: Could we skip them both, Mr. Chairman?

MR. SINCLAIR: Admit them both?

MR. COVERT: Omit. I don't see what value it is to this Commission whether they transferred at a high price or a low.

MR. SINCLAIR: I am not suggesting that it be put on the record. What I am suggesting is that rather than what he was going to read, it would be better, but I am not suggesting that anything be put on.

THE CHAIRMAN: Are you anxious to declaim the imputation that your Company is trying to acquire a monopoly of the road?

MR. SINCLAIR: Absolutely.

THE CHAIRMAN: Can't you do that yourself? I can't see that this witness can help you at all.

MR. SINCLAIR: Only that he makes these statements on behalf of thousands of truckers - apparently makes them. I am only trying to show the Commission as a Court of Inquiry that many of the statements are not supported by sufficient knowledge.

THE WITNESS: That is precisely why I want to get this statement into the record, Mr. Chairman.

THE CHAIRMAN: What is the statement? Who is it by?

A: Mr. Keays, the Counsel of the Canadian Automotive Transportation Association.

Q: What does he say?

A: "There are statements being made that the C.P.T. is offering ridiculous prices for trucking operations"

Q: That means "ridiculously high"?

A: Yes, that is correct.

"I can say that that is definitely not the case. I can assure you that I am on the receiving end of these ridiculous offers.

Mr. Magee: Murray as everybody in this room well knows the statements about C.P.T. offering extravagantly high prices have been made by me. Perhaps we differ as to what constitutes high prices. When I made those statements I had in mind the prices you paid for two transport operations purchased in Manitoba last December.

Mr. Keays: Well, you know how it is, John, I think you would be in the same position if you were me. Any financial dealing is pretty much the same thing. You make the best bargain you can. That is not perhaps very satisfactory, but it is the way we have to do it."

Q: What does all that amount to?

A: Well, I am putting it in because the Counsel for the Canadian Pacific is trying to show that I do not know about these things.

Q: Nobody can expect us to go out and investigate whether the prices paid by the railways for a certain line of trucks was actually high or low.

A: I am aware of that, Mr. Chairman.

Q: However, we have some limitations. You see, Mr. Sinclair, this brief quotes certain decisions made by the Commission in the United States which seems to imply or expressly says "that such a thing as a monopoly should not exist" that various lines of transportation, rail or road, should be kept independent from each other.

MR. SINCLAIR: Quite so.

THE CHAIRMAN: That is their information and they look at this transfer as an acquisition by the railways of truck services.

MR. SINCLAIR: "Except where it is supplementary or auxiliary to rail services".

THE CHAIRMAN: It is at the bottom of Page 17. Now they say that is the attitude they are taking, that they consider it to be in the public interest. Well, this Association takes the position "Well, that is our view of the public interest, to keep this thing separate and the only way we can keep it separate is to make it impossible for the railway to buy trucks and operate them by amending the Railway Act". Now then, there is the bare proposition and at the present time the Railway Act does not prohibit you from doing this. I suppose you can show us reasons why there should not be any change in the Railway Act? Don't you think there is enough foundation already to proceed upon and to present any reasons why the present situation should be allowed to continue?

We certainly cannot inquire into questions of whether these particular prices are too high or too low. We cannot inquire into those things and take the time of this witness to analyze why he does think they are too high.

MR. SINCLAIR: I am just trying to test what I consider irresponsible statements on the record.

THE CHAIRMAN: I know that. You have said that abundantly.

MR. SINCLAIR: Quite so, my Lord.

THE CHAIRMAN: But I would rather now see something more positive given to us on this question. You are trying to get the witness to say things he does not know much about.

(Page 10461 follows)

MR. SINCLAIR: Quite so.

THE CHAIRMAN: He does not know what to talk about. As a matter of fact he is really not a witness. He is just speaking here for an association, not under oath.

MR. SINCLAIR: Q. This morning, Mr. Magee, you made the statement that you thought, in connection with the application before the Ontario Municipal Board of the M. and G. Convoy Incorporated, that certain towns, I think you said - -

A. St. Thomas.

Q. Niagara Falls, opposed this because they^{were}/strong railway centers, that is correct?

A. I think St. Thomas and Niagara Falls were the ones I mentioned.

Q. The witness for Niagara Falls was one Millar and at page 118 of the signed transcript, an official transcript of the proceedings, I find Mr. Millar saying:

"And in order to save our roads, that is why Niagara Falls are not only protesting this application but also other applications, we have done consistently---

A. I have read that transcript and that is what the gentleman said.

Q. You did not think it was necessary to bring that to our attention this morning.

Now, there was/^{one} other thing. You, I believe, are supporting the proposition that no license should be granted unless public convenience and necessity is first proved - - no license should be granted unless public convenience and necessity is first proved.

A. That is correct.

Q. Can you tell me how public convenience and necessity to Ontario could be proved by an international trucker coming in

in and going out, without taking on or putting off any goods.

A. I don't know how it could be proved but somebody has got to prove it. I understand that the Inter-state Commerce Commission has an application from a Canadian Carrier now wanting to go into the United States and if they show no public interest and convenience in Canada, somebody has got to make the decision.

Q. It may have been, instead of the suggestion you have made, that the Board in Ontario felt that public convenience and necessity was not proved and that was the reason the license was refused.

THE CHAIRMAN: Are you telling me that you don't agree with what the licensing board of Ontario did in that case? You don't think they acted wisely.

A. No, I have not said that.

Q. What have you said?

A. I have said that the railways were the ones to secure the turning down of the application. The statements made by the Minister of Highways publicly, abundantly support that opinion. He gave it directly that the interest of the railways should be protected.

MR. HUME: I think the answer to this point may be that under the Geneva Treaty, Canada in a solemn treaty undertook with the United States that they would permit this.

THE CHAIRMAN: I know, but at the same time you say that ^{you} do not know why the Dominion Parliament should have anything to do with the regulating of trucks in the provinces, do you not?

MR. HUME: That is ^a true.

THE CHAIRMAN: Why would you use that or tell us that it is because of ^a treaty, and the treaty powers are limited

to things over which the Parliament of the Dominion has jurisdiction.

MR. HUME; That may be so. I merely point out that it might be possible that public necessity and convenience will not come into question on this particular subject because it is a matter of treaty.

THE CHAIRMAN: Into what?

MR. HUME: Because it is a matter of treaty, public convenience and necessity may have nothing to do with the ingress and egress of those American trucks.

THE CHAIRMAN: I know but would you not stress this argument, that this matter is a matter of treaty, to a provincial body in Ontario ?

MR. HUME: I would if I had the opportunity.

THE CHAIRMAN: Then there is the place to go.

MR. HUME: Yes, I agree with that, but I am only pointing out - -

THE CHAIRMAN: The Dominion cannot make a treaty with another country agreeing that one of the provinces of Canada will do so and so. Any treaty they make is subject to the limitation of their powers.

MR. HUME: I appreciate that.

THE CHAIRMAN: What is the use of talking to us about a treaty?

MR. HUME: The only point was that Mr. Sinclair suggested to the witness about public convenience and necessity in so far as an American trucker going in at one point and going out at another point: I simply rose to my feet to point out that probably public convenience and necessity has nothing to do with it if it is a treaty matter.

THE CHAIRMAN: I know, but how does that make it any more important for us, that is what I mean to say? You say it is

not a treaty matter at all. If it is a provincial matter it cannot be a Dominion treaty matter. It cannot be both. It really would not cover it, that is all.

Well, go on.

MR. SINCLAIR: I have no further questions of the witness.

THE CHAIRMAN: Then, are we to hear more from you on the other side of this question?

MR. SINCLAIR: I think we will have to consider whether a case has been made out or whether the Commission wants information.

THE CHAIRMAN: No, it is not a question of a case being made out, it is a question of amendment being made to the Railway Act and that amendment would bring in the province of Ontario and the reason is that authority would be given to a regulatory authority which would consider such a thing against the public interest. And it is advanced to us that it is against the public interest.

MR. SINCLAIR: When our own witnesses are on the stand, my lord, we will have something to say.

THE CHAIRMAN: You intend to show how the act ought not to be amended.

MR. SINCLAIR: Yes, quite so.

THE CHAIRMAN: I think you have gone as far as you can with this witness.

MR. SINCLAIR: Apparently, my lord.

THE CHAIRMAN: Does anybody else wish to question Mr. Magee? All right, thank you.

Now, you have another witness

MR. HUME. Mr. Goodman, will you take the stand, please.

- - - - -

J.O. GOODMAN, Called:

EXAMINED BY MR. HUME: Q.

Q. What is your position with regard to the Canadian Automotive Transport Association?

A. I am an honorary director of the organization.

Q. And what is your position with the Ontario organization.

A. General Manager.

Q And you are available ^{to answer} any questions on the two sections of the brief that Mr. Magee did not deal with. But before you do so, there are one or two points of information I understand you have for the Commissioners that I would like to hurry through with you. First of all would you give me two or three examples of regularly constituted hauls in the province of Ontario?

A. Two of the longest hauls in the province are from Toronto, ^{To} Timmins, a distance of 449 miles, - - that is a common carrier daily service; from London to Montreal --

MR. FRIEL: Would you give the name of that company?

THE CHAIRMAN: That is not within the province you say?

MR HUME. No, London to Montreal would be: interprovincial.

THE CHAIRMAN: You asked for two cases in the province. Is Timmins in Ontario?

MR. HUME: Timmins is in the province. London to Ottawa would be.

THE WITNESS: London to Ottawa is a distance of approximately 400 miles.

Q. Then, can you submit these two --

MR. FRIEL: Q. What are the names of those companies?

A. Toronto to Timmins, Star Transfer of Timmins. London to Ottawa, Husband Transport Ltd of London.

MR. HUME: Q. Is there not a regular haul from Windsor

to Ottawa.

A. Not on common carrier freight. There is an automobile carry-all.

Q. Are there any others that you want to give?

A. No, those are a couple of examples I have noted down. There are a number of others of inter-provincial character but those are about the longest wholly within the province, sir.

Q. Then, as to operators who have been in the business for some considerable length of time, have you anything to say ^{to} the Commission with regard to the Ontario situation?

A. We have carriers in the province of Ontario who have been continuously in business, I think the oldest is about 40 years, that is the Gunther Transport of Dashwood. And a great number of others who have been in business twenty-five years.

Q. And I think I stated, I got the information from you this morning, when the question came up about the number of bankruptcies, you stated to me and I repeated for the record, that there were five that you knew of over the last 15 years. Is that right.

A. Yes.

A. Yes, I have been associated with the organization for fifteen years and during that period I have knowledge of only five carriers within the province going into bankruptcy.

THE CHAIRMAN: Q. It might be of interest if we could be told whether they were large carriers or not.

A. Assuming a large carrier would be a company operating forty or more pieces of equipment.

Q. Forty or more what?

A. Forty or more pieces of equipment, we would consider them --

Q. Forty or more trucks?

A. Trucks and trailers, we would consider them to be a large carrier. I think thirty, too, would be in that category, and three in the smaller carrier field.

COMMISSIONER INNIS: Q. To what reason do you attribute the bankruptcy? Would it be mismanagement?

A. By and large, mismanagement. Three of the individuals who managed these companies did not have very good reports. The companies had changed hands. It was purely a matter of mismanagement.

THE CHAIRMAN: Q. The companies changed hands?

A. Just prior to bankruptcy.

Q. Were these five companies or any of them operating over the same highways as other companies?

A. Oh yes, they all were.

Q. Yet the other companies remained in business?

A. Yes, sir.

Q. But these five fell by the wayside?

A. Yes, sir.

Q. They were not operating in some remote part of the province by themselves?

A. No, they were all in competitive areas.

MR. HUME: Q. Now, Mr. Goodman, on the question whether or not services in your province are conducted the year round, would you just explain to the Commission the situation in that respect?

A. The province maintains during the winter months 10,092 miles of highway open. Those are all the King's highways in the province. The counties and townships look after --

THE CHAIRMAN: Q. You say how many miles?

A. 10,092 miles are looked after; they are snow-plowed, with very few exceptions, in perhaps remote rural areas, and they are all kept open during the winter.

MR. HUME: Q. Now, Mr. Goodman, the Commission has heard the allegation that the truck industry picks and chooses its freight. Do you want to make some statement to the Commission as to that based on your own experience?

A. The individual carrier, because of the type of equipment he operates, would of necessity pick and choose his freight to fit in with his type of equipment. But I would like to suggest that in considering whether the trucking industry as a whole picks and chooses its freight, one should look at the industry as a whole.

We have all types of conveyances that are operated on the railway, such as tank trucks, automobile vehicles, furniture vehicles, coal trucks, brick trucks; so the motor carriers by and large can carry any type of commodity that railway transportation interests carry. And I submit that the industry as a whole does not pick and choose its freight.

THE CHAIRMAN: Q. You say that you carry all the types of commodities that the railways carry?

A. Yes, sir.

Q. That is practically everything.

A. Yes, sir, but I am not suggesting that we carry them the same distance that the railways do.

Q. No, limited by your districts.

MR. HUME: Q. Then the next point on which I think you have some information is that of the British experience. You have got some figures in which there is a suggestion that to control commercial trucking might increase the private use of vehicles; and I believe you have some figures which would be of interest to the Commission.

A. Yes. The Road-Rail Traffic Act of 1933 was the first British enactment bringing under Federal control the transportation of goods vehicles, that is, freight vehicles. Prior to that they had authority to regulate passengers.

THE CHAIRMAN: Q. You are talking now of Great Britain?

A. Yes, sir.

Q. And you mean government control?

A. Government control.

Q. Who regulated them previously to that time?

A. I am not familiar with the regulations prior to 1933, whether there was any or not, and what kind it was. There were regulations so far as the type of equipment and the gross weight and so on, but the Road-Rail Traffic Act was the first legislation to regulate with respect to the matter of public necessity and convenience, to regulate entry into the field.

MR. HUME: Q. Did that Act, to your knowledge,

regulate the distance beyond which for-hire traffic was not permitted to go?

A. No, it did not. The figures which I think are of interest are those showing the number of vehicles operated in 1936 by public carriers, and in 1948 by the same carriers as against the vehicles owned and operated by private carriers, people hauling their own goods.

THE CHAIRMAN: Q. Public carriers are those put up for hire?

A. Yes, sir, common carriers, so to speak. In April of 1936 the class A licences were on 85,337 vehicles.

Q. That is, trucking for hire?

A. Yes, sir. That was in April 1936. And in December, 1948, the number of vehicles for hire had dropped to a total of 74,210, thus showing a drop of 11,000 during the intervening years.

The registration figures for privately-owned vehicles in April, 1936, amounted to 316,714; and in December, 1948, the figure was 590,516; so that while the public carrier figures dropped 11,000, the privately-owned vehicles increased 270,000 odd.

MR. HUME: Q. I do not suppose you have any way of knowing whether these vehicles were over-the-road vehicles or were carrying goods within municipal boundaries?

THE CHAIRMAN: What do you mean by "over-the-road vehicles"?

MR. HUME: Between cities, over the highways, moving goods other than mere deliveries within municipalities. That is the term used.

THE WITNESS: No, I cannot answer that question; I am sorry.

MR. HUME: Q. Well, Mr. Goodman, might I direct your attention to the question of international and interprovincial traffic, so far as Ontario registrations are concerned?

THE CHAIRMAN: Q. About these British figures, they are very interesting. Are you drawing any conclusions from them? You are saying that trucking for hire has decreased, and that private trucking has increased very considerably?

A. Yes, sir.

Q. What about that?

MR. HUME: The only conclusion to be drawn from it is, I think, that this Act, the terms of which I have not got in front of me, when it came to regulate hire truckers, apparently caused a decrease of those who wanted to go into the business, whereas the private individual has gone out and bought his own trucks to move his own goods.

THE CHAIRMAN: Are you trying to show that anything in the statute tended to favour the railways or to protect them against competition?

MR. HUME: Q. Have you got the statute there?

A. I have extracts here from the original statute. I think it was intended to regulate entry into the field; and from the best information I have been able to secure, it was intended not only for the protection of the railways but for the protection of the carrier industry itself. Now, while the regulations resulted in a decrease in the number of public carrier vehicles on the road, they also resulted, at the same time, in a drastic increase in the number of privately-owned

vehicles.

I think there have been some suggestions made,-- not by the Railway Association, but by certain interests appearing here -- that public carriers should be restricted and regulated, but not private carriers. I am not suggesting that private carriers should be regulated, but I do point out that in England experience has indicated that the restriction of public carriers has shown a decrease in their equipment and an increase in privately-owned vehicles.

THE CHAIRMAN: Q. Does the British statute provide any mileage limitation either for the private carriers or for the public carriers?

A. Not under the Road and Rail Traffic Act of 1933. However, it does under the Nationalization Act which recently became effective.

Q. Under what Act?

A. The Nationalization Act, the Transport Act, 1947, which nationalized transportation in Great Britain. Under that Act they have restricted public carrier trucks to certain mileages.

Q. Public carrier trucks?

A. Yes, sir.

Q. What about ^aprivate carrier? Of course, the Act would speak for itself. Have you got copies of it?

MR. HUME: No. I am sorry. I have not got a copy of this new Act.

THE WITNESS: I think I have a copy at the hotel.

MR. HUME: I shall attempt to get that Act for you, the recent Act. Was there anything else, Mr. Chairman, you wanted to touch upon?

THE CHAIRMAN: No, no, that was all.

MR. HUME: Q. Now, Mr. Goodman, in order that the Commission may have before it a picture of international and interprovincial traffic, I understand you have not any tonnage figures, so far as Ontario based operators are concerned. Could you give us the figures for Ontario?

A. Of a total of 8,630 power units operated by carriers in Ontario last year, according to the best information, 373, or about 4 per cent, were engaged in interprovincial and international traffic.

MR. EVANS: What sort of units?

A. Power units.

MR. HUME: By power unit you mean where you have a tractor, which is an engine apart, and a semi-trailer, that is a power unit; it is able to move over the road?

A. The motive power.

Q. If you have, let us say, one tractor and two semi-trailers, is that the same as one power unit?

A. No. The power unit is the motive unit, the tractor; but with a semi-trailer, when I say 373 power units, I do not include semi-trailers, just truck tractors and trucks.

Q. I understand you have secured first-hand figures for information purposes as to the taxation of the industry so far as the Federal Government is concerned. Do you want to say anything about that now?

A. Purely as a matter of information, I have this general information: that the provincial governments receive revenue from highway transportation in the form of gasoline taxes and licence fees; and I think that the Commission would be interested in learning that last year the Federal Government received

approximately \$100 million from highway transportation in the way of excise taxes and sales taxes, and duties on gasoline, tires, tubes, trucks, and automotive parts. It is rather interesting that that \$100 million figure which the Federal Government got represents about three times the amount of the deficit of the Canadian National Railways for last year.

Q. What is the source of your figures, Mr. Goodman?

A. The budget speech of October 20, 1949; the Department of National Revenue Annual Report, dated March 31, 1949; the Dominion Bureau of Statistics Report on Imports, Volume III, Trade in Canada Series, and the Canadian Automobile Chamber of Commerce publication entitled "Automotive Facts".

MR. HUME: There are one or two other points, Mr. Chairman, and the next one would take more than the one minute which is still left us.

THE CHAIRMAN: Very well, then, we shall adjourn now until tomorrow morning.

---At 4.45 p.m. the Commission adjourned to meet again tomorrow, November 29, 1949, at 10.30 a.m.

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